

Responsible Business Morality meets Mammon A Financial Times Guide



Nuclear proliferation Hard to criticise India for wanting a deterrent **Edward Mortimer, Page 12**

E-commerce Fear and enterorise as the net closes in a Page 22

italy's black economy Employing a third of workers in the south Page 3

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Sworld's best business books Results of the Financial Times/Booz-Allen & Hamilton Global

Business Book Awards

In Tomerrow's FT

WORLD NEWS

Delors urges a human face for democracy in Europe

Former president of the European Commission Jacques Delors challenged the secret horse-trading between governments that decides who gets the top job, urging candi dates to wage public campaigns for the presidency. "This is not a putsch or a coup against the national governments," he said. "The time has come to put a face on European democracy. Page 2; Observer, Page 13

More criticism for Ciampi A member of the Italian govern ment, public works minister Paolo Costa, has added his voice to the chorus of unease over the way treasury minister Carlo Azeolio Ciampi has slashed spending on infrastructure as part of Italy's

attempt to qualify for Emu. Page 3 UK urges free but fair trade International efforts to improve protection of the environment and uphold core labour standards must not lead to trade barriers against exports from developing countries UK prime minister Tony Blair told the WTO in Geneva. Page 8

CDU aims at Schröder German chancellor Helmut Kohl's party, the Christian Democratic Union, stepped up its attack on opposition Social Democratic party candidate Gerhard Schröder and staked its claim to reoccupy the middle pround of politic

Washington might move against NZ The US has threatened action against New Zealand for its move to remove restrictions on parallel imports, allowing importers to bring in brand name goods without a tranchise. Page 8

Turks wary on EU talks Turkey refused to give visiting UK foreign secretary Robin Cook an outright commitment to attend a meeting next week to repair Ankara's severely strained relations with the EU. Page 2

Mexico shocked by arrests The arrests of Mexican bankers and indictment of three Mexican financial groups on money launder ing charges in the US have sent shock waves through the Mexican establishment. Page 4

Milosevic dafles Montenegrans Yugoslavia's crisis deepened as President Slobodan Milosevic named an ally, Momir Bulatovic, as prime minister despite warnings by Montenegro that it would refuse to recognise him. Page 3

Ethiopia warns of war Ethiopia said its border row with Eritrea could develop into a full-scale conflict and urged the international community to put pressure on Asmara. Page 7

No more EU duty-frees Duty-free shopping within the EU will be scrapped in 1999, finance ministers reaffirmed. Page 3

French to work 35-hour week The French national assembly approved a reduction in the working week to 35 hours. Page 2

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US Lunchtime RATES

EDIR: 10 W JOSE (Argent) HORTH SEA QIL (Argent) 514 90

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BUSINESS NEWS

Russia lifts interest rates to 50% in bid to steady rouble and stock market

Russia's central bank raised its nterest rates to 50 per cent to shore up the rouble in the face of pressure on state treasury bonds and the currency. The benchmark RTS share index, which fell 11.8 per cent on Monday, rose 4 per cent and the rouble steaded at Rbs6.15 to the dollar, Page 14; Editorial Comment, Page 13

Ahold, the Dutch supermarkets group, has bid \$2.7bn-plus for Giant Food, a Maryland-based US tood chain that UK retailer J Sainsbury had sought to control. Ahold described Giant as "highly competlble with our other US companies". Page 15; Lex, Page 14

Pohang from and Steel of South Korea has proposed an equity swap with Nippon Steel of Japan that could lead to a strategic alliance between the world's two largest steelmakers. Page 14

The European Commission has received from the French govern ment a list of assets that troubled French bank Crédit Lyonnais will have to sell to gain approval for an estimated FFr120bn-FFr145bn (\$20bn-\$24bn) state rescue packege. Page 15

Sony Pictures is gambling on a monster run to get a return on a \$120m production and marketing budget for its revival of Godziila in 3,310 US cinemas. Page 4

Matsushita Electric, the Japanese electronics group, said it planned to increase the proportion of Europeen sales manufactured locally from one-third in 1993 to twothirds by 2000. Page 16

The US Federal Reserve opted to leave short-term interest rates unchanged in spite of recent rapid economic growth and increasingly tight labour markets. Page 4

Drugs for the central nervous system, mainly anti-depressants, outstripped all other prescription drugs in sales growth in the year to February 1998. Sales rose 13 per cent, driven by increases in the US, UK, Spain and Mexico. Page 8

Viag, the Munich-based conglomerate, set its sights on a US stock market listing as it reported a 20 per cent rise in firstquarter pre-tax earnings to DM806m (\$443m) and said it would expand power generation and telecommunications activities in east Europe.

Tengizchevroll, the Chevron-led group overseeing the \$20bn development of the Tengiz citield on the Casplan Sea in Kazakhstan, may ask shareholders for more cash as low crude oil prices undermine expansion financing. Page 7

Euro Prices

WORLD MARKETS

(+35.53) (+46.65) (+51.6) (+167.18)

A comprehensive statistical guide to the new euro currency zone, covering tomign exchange, bood and equity markets. Page 23

Reform offer fails to quell mass protest in Indonesia

By John Ridding and Sander Thoenes in Jakarta

Indonesia last night faced mass protests that could prove decisive for its future stability after President Suharto's opponents rejected his plans to see through political reforms before stepping

The scale of today's demonstration and the response from the armed forces are viewed as a crucial in determining the prospects for stability in Indonesia. "Everyone is on edge, watching and waiting," said one diplomat. Mr Suharto, whose 32-year hold

on power has been shaken by mounting opposition, said he would hold parliamentary elections "as soon as possible" following a change in electoral laws. He said he would not stand in subsequent presidential elections. His term is due to end in

Despite the concessions, more than 10,000 students descended on parliament. They said Mr Suharto was trying to buy time through a long transition process and demanded his immediate res-

ignation, Amien Rais, a Mosiem opposition leader, said he would go ahead with today's scheduled

Mr Suharto, in his first public statement since riots and looting left more than 500 dead in Jakarta last week, said in a televi-sion address: "I will not be prepared to be elected any more. I have taken the decision as presi dent to implement and lead the national reform immediately." Juwono Sudarsono, environment minister, said new election laws could be in place within two

Mr Suharto said he would follow the 1945 constitution, which requires a new leader to be elected by the People's Consultative Assembly, the top legislative institution. "If we do not uphold the constitution, the country will not last long," he said, adding that "bloodshed and even civil war" could result.

The Indonesian leader, who had earlier met leaders of the armed forces, appeared calm and confident. But the situation in Jakarta was tense, with troops to the country's crippled econand armoured cars taking up omy, which some foreign bankers



strategic positions in the city. The US said Mr Suharto's recognition of the need for political reform in Indonesia was "long

Many foreign citizens have already been evacuated from Indonesia, dealing a further blow

believe could contract by more than 10 per cent this year. Regional markets jumped following Mr Suharto's speech. The ruplah climbed from a morning low of 16,000 to the US dollar to 11.800, while the stockmarket gained 6 per cent in thin trading.

Picture: Reuters

Uncertainty reigns, Page 6

RJB calls for halt to German coal merger

By Andrew Taylor, Utilities Corresponden

RJB Mining, Britain's biggest coal producer, as part of an investigation it is demanding into state subsidies, has asked the European Commission to halt German merger plans to create a powerful coal group.

The proposed merger, between Ruhrkohle Bergbau, Saarbergwerke and Preussag Anthrazit, would create a single German coal mining company, Deutsche Steinkohle. RAG, the mining and energy

group which owns Ruhrkohle, is paying just DM1 for Saarbergverke, owned jointly by the federal government and the region of Saarland.

RJB is concerned that the nominal price should not reflect hidden subsidies to the merged busi-

On a broader level, it wants Brussels to investigate state subsidies to the German coal industry, expected to total DM9.25bn

(\$5.08bn) this year. The move comes as the UK government has been conducting a review of its domestic power station fuel policies after warnings of possible job losses in the

mining industry. Reports that UK authorities vere considering a complaint to Brussels over German coal subsidies - to promote a wider market for UK coal - prompted an angry response from Gunter Rexrodt, German economics minister, this

Mr Rexrodt said: "The British government is apparently reluctant to award new subsidies [to help its own industry]. But it can-A fact sheet issued by the US not expect German taxpayers to save British jobs at the expense of German ones. The refor the British coal industry's problems is that the privatised coal sector cannot even compete in its own market against gas

and imported coal." John Battle, UK energy minister, said yesterday the UK had the cheapest coal production in Europe but was being kept out of German and Spanish markets by unfair state subsidies.

However, Mr Battle ruled out erecting trade barriers against coal imports from other big coalproducing countries such as the US and Australia. He said that Britain wanted to be fair, not pro-

By Pascal Fletcher In Havana

yesterday angrily condemned as threatening" an agreement between the US and European Union simed at ending their dispute over the US Helms-Burton law against Cuba.

Cuba . . . would be an unthinkable dishonour for Europe". He also accused the US of committing "economic genocide" with boycott, which he said had

cost the island \$60bn. There was considerable confu-

what the deal would mean in investors judged to be "traffick-President Fidel Castro of Cuba practice for European investors ing" in expropriated properties. on the communist-ruled Carib-

European businessmen operating in Cuba generally welcomed prospect of a US waiter on the Title IV sanctions provisions in the Helms-Burton law, which The Cuban leader, addressing threaten to har from the US the the World Trade Organisation in executives of foreign companies Geneva, said that any agreement investing in expropriated, formade "at the expense of merly US-owned properties on

The text of the EU-US understanding also stated that the US administration was prepared to consult Congress on the possibility of obtaining a waiver provision with no specific time limit tion and uncertainty among for Title III of the law. That is the European diplomats and busi- clause that allows US claimants

But European businessmen had some reservations about the so-called "disciplines" agreed in the deal to discourage future investments in expropriated property in Cuba and about the circumstances under which such disciplines might be triggered. They also wondered about

plans in the accord to set up an international registry of claims on allegedly expropriated properties. Some said this seemed to give a new lease of life to the Helms-Burton law, which has been fiercely opposed by European governments.

European investors took some comfort from the fact that, under the accord, existing investments

nessmen in Havana about just to file legal suits against foreign in Cuba would not be subject to the new disciplines.

Interests Section in Havana hailed the accord as providing "an effective, multifaceted, multilateral regime for supporting American claimants" in Cuba and elsewhere. No European companies have

been sanctioned under the Helms-Burton law but several. including the Spanish Sol Melia hotel chain. Pernod Ricard, the French drinks company, and Premier Oil of Britain, have seen their activities in Cuba come under scrutiny from US officials. Potential investors in Cuba routinely check all projects for possible Helms-Burton claims.

Israel warns EU over trade boycott

Benjamin Netanyahu, the Israeli prime minister, yesterday Heights were "not part of the warned the European Union it had little chance of playing a role exported to the EU should not in the Middle East peace negotiations if Brussels imposed a boy-cott of goods from Jewish settlements in the occupied territories exported under an Israeli label.

Speaking at a business conference, Mr Netanyahu said the EU would be considered "a one-sided player" if the boycott went In fact, he has always been

reluctant to involve the EU in Palestinian labour.
any mediating role, except to pro"This is what Net vide aid to the Palestinian His statement prompted a rapid

and strongly worded response from the Commission, which said Mr Netanyahu was turning a trade dispute into a political issue rather than addressing the existence of alleged fraud.

A Commission statement said Israel was trying to "politicise a question that relates only to legal issues". The issue, it added, was about correcting an "alleged case of massive fraud" of the regulations on rules of origin governing free trade between the EU and

Last week, the Commission formally warned Israel it would set to stop imports from the occupied territories which benefit from trade privileges granted to

It said the Israeli settlements in the West Bank and Gaza, in east Jerusalem and the Golan state of Israel", adding that goods benefit from preferential treatment under the EU's trade agreement with Israel. The Commission said that it

had not referred to sanctions or a boycott in discussions with Mr Netanyahu said that, ii Israeli businesses were damaged

by any EU action, they would not be obliged to continue employing This is what Netanyahu really thinks of the Palestinians," said

an EU diplomat. "He is using them as pawns instead of openly admitting the possibility of fraud. He is trying to show the Commission's complaints are linked to the stalled

peace process rather than admit Israel is breaking trade rules." The Commission statement said: "Any politically motivated reading on the part of the Israeli authorities is their own responsi-

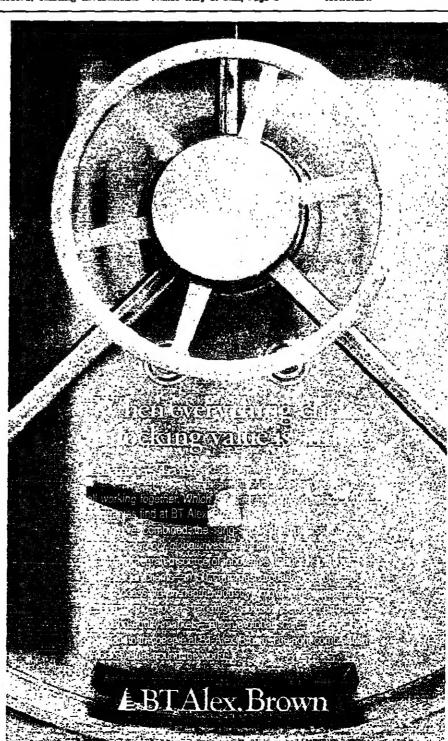
Yaakov Neeman, Israel's finance minister, will today meet the 15 EU ambassadors to discuss the deteriorating relations. A third of Israel's exports go to the EU, while the EU supplies over 51 per cent of the goods Israel buys from abroad.

Observer, Page 13

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By Robert Graham in Paris

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The French national assembly vesterday took an historic step in labour legislation by approving a reduction in the working week from 39 to 35 hours from

The law, a centrepiece of the Socialist-led governscale of incentives to employers, provided that they cut working hours and create extra jobs.

It is being introduced ainst the strong opposition of the employers' federation.

By Lionel Barber in Brussels

Jacques Delors yesterday

challenged the secret horse-

trading between national governments that decides

the post of president of the European Commission, urging candidates instead to

wage public campaigns for

"This is not a putsch or a

coup against the national

governments," insisted the

man known as "Mr Europe"

who held the European pres-

idency between 1985 and 1995. He added: "The time

has come to put a face on

His idea - which does not

require a change in EU trea-

ties - is that each of the

European political groups

such as the Socialists and

the centre-right People's

Party should choose a candi-

date for head of the Commis-

sion, the executive arm of

Candidates and groups

would campaign on different

platforms in the European

Parliament elections in June

1999. This is the date when

EU leaders plan to designate

a Commission president to

The Delors initiative aims

take office in January 2000.

to stimulate interest in the

parliamentary elections,

which have suffered from

low turn-out and voter apa-

European democracy."

the top job.

the CNPF, whose members object to being forced to cut the working week and doubt that it will create more

The rightwing opposition parties failed to halt the legislation in parliament despite almost 90 hours' debate and four readings in the two-chamber parliament. ment's election manifesto However, they are expected last year, offers a sliding to mount a final challenge, taking the law to France's

> The challenge is likely to be little more than symbolic, since the legislation builds on a 1996 law introduced by the current opposition.

> time to introduce "personal-ity politics" and he added

that he also wanted to pre-

vent a repeat of the "pain-

ful" events of 1994. Britain

the Belgian prime minister

and Franco-German favour-

ite for the Commission post,

and Germany blocked Ruud

Lubbers, the outgoing Dutch

prime minister, Jacques San-

ter of Luxembourg emerged

as a compromise after back-

Mr Delors' proposal enjoys

thy. He suggested it was action committee known as a plan which aimed to ments.

room horse-trading.

vetoed Jean-Luc Dehaene,

constitutional court.

dies of up to 40 per cent, if the working week was cut to 35 hours - either to create new jobs or to protect companies in difficulties.

The Robien law has been applied in 2,200 cases, affecting 235,000 jobs, but is recog-

introduction of the S5-hour week, but a second piece of legislation will be necessary in the second half of 1999 to flesh out the details.

the working hours of salaried staff and the number of the working week by 10 per hours worked during the cent.

vocal public protests are more muted in private. duce the shorter working Employers recognise the law could offer a chance to all the rest from 2002. increase productivity and introduce more flexible work opt to reduce working hours

increase the democratic

legitimacy of the president.

Delors plan is whether the

main European Parliament

groups will accept. The sec-

ond will come at the EU

Mr Delors confirmed that

he was ready to accept Presi-

dent Chirac's proposal to

head a Wise Men's Group on

the future of the EU linked

to eastern enlargement. But

required a clear mandate

cautioned that he

hе

summit in Cardiff next

The first test for the

The so-called Robien law essential elements, such as studies that predict some offered social security subsi- how overtime will be paid. 290,000 jobs could be created over five years by cutting

> The main provisions oblige As a result, the CNPF's all companies employing more than 20 people to introweek from January 2000, and

Those companies which earlier by 10 per cent and increase their labour force by 6 per cent will receive a rity subsidy per employee in

This will then be replaced by FF15,000 a year per employee in "structural support".

in labour-intensive industries such as textiles, with large numbers of unakilled workers, there will be an additional FFr4,000 annual subsidy - a measure excluded from last October's

original proposals. Additional subsidies will also be open to companies taking on a larger number of new employees. Also subselisting 45 public sector

cent of the vote and the PDS

19.6 per cent, Mr Schäuble

common cause with extrem-

ists, whether of left or of

He added: "I find it com-

pletely incomprehensible

how the Social Democrats

can believe they can co-oper-

ate with the communists in

the PDS without encourage

While attacking SPD and

PDS. Mr Schäuble took pains

to present the CDU as the

party with eastern Ger-

many's interests at heart.

The CDU was also the only party prepared "boldly to

push open the gate to the

future". The party's policies

Mr Schäuble's speech was

ment, he said.

ing rightwing extremism."

right".

NEWS DIGEST

PENSION FUNDS

Brussels proposal to ease investment restrictions

Mario Monti, the European Union's commissioner for financial services, proposed a directive to relax investment restrictions on Europe's pension funds yesterday, in a third attempt to lib-

The directive, to be drawn up in outline form later this year, will have the biggest impact on those EU member-states, such as France and Germany, which still set tough limits on

funded pension schemes. Mr Montl told a meeting of EU finance ministers in Brussels yesterday that his directive was likely to "establish an appropriate framework of prudential rules that sets minimum investment safeguards and tackles quantitative restrictions".

He added that these proposals had the backing of most of those who responded to a Commission green (discussion) paper issued last July. Pension funds and fund managers and member states such as the UK, the Netherlands and Ireland have supported moves towards liberalisation.

The main thrust of Mr Monti's argument is that restrictions on assets such as equities reduce the returns available to pension funds.

The need for better returns has become more acute as the EU faces a future in which fewer workers support more pensioners. Jane Martinson, Investment Correspondent

FOREIGN OWNERSHIP

Moscow challenges UES curb

The Russian government has initiated a legal challenge in the Constitutional Court to a recent law restricting foreign ownership in the giant electricity utility, United Energy Systems. in a statement yesterday, it said the law violated rights guaranteed in Russia's 1993 constitution and the civil code. It assured UES shareholders their rights would not be abused.

"No action, that either directly or Indirectly violates the rights of ownership, will be taken," the statement read. It is also preparing amendments to propose to the Dume. President Boris Yeltsin signed the law 10 days ago after

partiament overrode his veto. The law restricts foreign ownership of UES and other electric utility companies to 25 per cent. About 30 per cent of shares of UES are currently for-

The government has several options: to buy back the shares, issue more shares to dilute the foreign shareholding, or to prevent new purchases of shares by foreigners, which in time would reduce the ownership. Carlotta Gall, Moscow

PARIS MAYOR

Tiberi criticises magistrates

Jean Tiberi, the Gaullist mayor of Paris, yesterday issued a bitter strack on magistrates for their handling of Monday's interrogation of his wife, Xavière, over allegations of corup-

He also linked the questioning of his wife, who was detained for most of the day, to an attempt to discredit President Jacques Chirac, who handed over the mayoralty to Mr Tiberi in 1995. Other opposition politicians also waded into the attack on the magistrates and sought to protect the repu-

alleged to have had a take consultancy contract with one of the regional administrations round Paris. Their inquiry is simed at uncovering officials of the Gaullist RPR who have been maintained under false pretences on municipal payrolls. Mr Chirac was mayor of Paris from 1977 until he won the presidency. Yesterday there was press speculation he might himself be asked to explain the workings of the Paris administration. Robert Graham, Paris

EU PROSPECTS

Slovakia warned over N-plant

Austria's chancellor, Viktor Kilma, said yesterday Slovakia risked damaging its European Union membership prospect and the safety of its people if it pursued plans to activate fuel rods at the controversial Mochovce nuclear plant,

Mr Klima, speaking after being briefed by the head of a committee of international experts who visited the plant . . . recently, said Mochovos should remain idle until experts were fied it was safe to start operations.

"From the view of the experts, the fuel rods must not be activated now because, in contradiction to agreements made with Prime Minister [Vladimir] Mediar, all the documents have not been made available that would allow us to judge the safety standards of the plant," he told reporters.

The Slovak state-owned monopoly energy producer, Slov enske Elektrame, said on Monday it planned to activate the fuel elements around May 25, against the advice of experts and environmentalists who say the plant will be outdi dangerous and unreliable. Reuters, Vienna

EU MEMBERSHIP

Slippage in Polish talks

The first stage of Poland's membership talks with the European Union, under which its legislation is checked to ensure it conforms to the EU's body of law, is likely to be completed in June 1989, EU officials sald yesterday.

This is six months later than originally expected. But Niko laus van der Pas, who heads the Brussels negotiating team with six EU applicant countries, and Françoise Gaudenzi, the EU's negotiator with Poland, said the slippage did not reflect any new "major problems" uncovered since the talks started on Merch 31.

So far the talks have covered telecommunications, broadasting regulations, research and science and culture. Both officials, who were on a two-day visit to Poland, said that progress with economic reforms and the training of officials, rather than successful negotiations, held the key to Poland's accession. "Poland will join when Poland is ready to join," Mr van der Pas sald. Christopher Bobinski, Warsey

DANISH REFERENDUM

PM backs Yes vote on treaty

Poul Nyrup Rasmussen, the Danish prime minister, is steppling up pressure on the voters ahead of the May 28 referen dum on the Amsterdam Treaty, warning that a No vote will mean Denmark has no future in the European Union.

"We can't prevent the other countries from ratifying the treaty. They will quickly call a new summit meeting and rechristen Amsterdam as Amsterdam II. Then what shall we do? We won't have Maastricht to fall back on because that will disappear with the new treaty. We shall be sidelined," he told Danish newspapers.

in other comments in the past few days he has hinted that

if there is a No vote, Denmark will have to accept a looser association with the EU, such as the European Economic Area Agreement between the EU and Norway, Switzerland The most recent Gallup poll, however, showed a majority of

48 per cent in favour of Amsterdam, 35 per cent against and 17 per cent undecided. Hilary Barnes, Copenhagen

nised to have been exces sively costly. The new law provides the broad framework for the

The second law will tackle

contracts with lower wages. The ambiguities in yester-

day's law are of concern to trade unions, which fear FFr9,000 (\$1,500) social secuwages may be undermined.

Unions are also wary of the first year. Thereafter it employers excluded from the labour ministry-inspired will decline each year to Delors urges democratic 'face' |CDU leaders aim their fire

at Schröder

By Peter Norman in Bromen

The Christian Democratic gave a promise that the Union of Chancellor Helmut CDU would "never make Kohl yesterday stepped up its attack on Gerhard Schröder, the opposition Social Democratic party candidate in September's general election, and staked its claim to reoccupy the middle ground of German politics.

In a withering attack on the SPD challenger, Wolfgang Schäuble, leader of the CDU parliamentary party and Mr Kohl's "crown prince", accused Mr Schröder of pursuing a "dishonest" election campaign. which focused on glitzy presentation and avoided clear

Mr Schröder, he said, had been for and against the euro, for and against the electronic surveillance of homes of professional criminals, for and against lowering Germany's top tax rate, for and against pension reform and for and against

German unification. highlighted the SPD's deci-German state of Saxony-Anhalt to form a minority

gave priority to economic growth and more employrewarded with the now customary standing ovation. Led by a beaming Mr Kohl, the delegates applauded for

support of the east German meeting, there were few Illu-Party of Democratic Social- sions among the delegates sm, the former communists. that Mr Kohl and his party The SPD policy, he face an uphili struggle to

warned, would drive eastern and western Germany apart. remaining four months to It underlined the CDU's role the election on September as the "people's party of the 27. centre". Alluding to last month's Sammy-Anhalt election in which the far-right German People's Union (DVU) took nearly 13 per CDU.

Mr Schäubie's speech also sion last week in the eastern

just over four minutes, an ovation that reinforced the impression of party unity without detracting from Mr Kohl's longer 10-minute ovation the day before. Despite the enthusiasm

overtake the SPD in the

"It is a start but not yet a breakthrough," said Volker Rûbe, the defence minister and a senior figure in the



Delors: Political groups should pick their candidates for Commission presidency

the support of five former attacked the Commission as

Notre Europe. Two - Giul-

iano Amato of Italy and

Felipe González of Spain -

are tipped as potential candi-

dates for the top Brussels

Mr Amato was absent yes-

terday, and Mr González

declined to be drawn on his

intentions. But the former

Spanish premier said he

favoured candidates showing

their hand even if this was

unlikely to help their cause.

EU leaders who constantly

European prime ministers remote and bureaucratic and, crucially, the support of

who have joined his political would find it hard to attack the 14 other EU govern-

Mr González predicted that

For those who judge everything by the numbers, Embraer has some you can count on.

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initiative to widen the 1996 EU-Turkish customs union to agriculture and services eign secretary, an outright but was wary of Greece trapcommitment yesterday to ping it into discussing politi attend a meeting next week cal subjects such as Cyprus to repair Ankara's severely and human rights. Theodore strained relations with the Pangalos, Greece's foreign minister, yesterday warned that Athens wanted political

Cook, the prime minister

Mesut Yilmaz, conveyed

even more strongly, according to UK officials, Turkey's

"sense of hurt" at being

required by the RU to meet special democratic and

Before he left Ankara, Mr

Cook underlined the EU's

interest in human rights by

visiting the hospital bed of

Akin Birdal, the leading

human rights campaigner

who was shot last week by

improving ties with the EU,

which are also stymied by

Greece's block on the

Ecu375m (\$418m) which the

EU promised to Turkey to

accompany the customs

union. Mr. Cem reiterated

that "the sum of money is

not important, but the prin-

. Neither the UK nor Turk-

ish ministers were optimistic

about Greece lifting its veto

on the money soon and Mr

Pangalos confirmed yester day that Greece would

continue to block the

ciple of it is".

unidentified gunmen. Mr Cem called the Cook visit "a big contribution" to

uman rights criteria.

After nearly two hours of talks with Mr Cook, Ismail issues discussed at the meet Cem, Turkey's foreign minis-Still railing against the EUs failure to treat Turkey ter, would not commit himself to going to the planned association council meeting as other applicants, Mr Cem in Brussels on Monday. "We insisted: "Our position is would like it to go ahead that there is discrimination during the UK presidency," which ends on June 30, "but and that for as long as this is not removed limitations or our political dialogue with only if everything goes as we the EU will remain." In a later meeting with Mr

Mr Cem indicated Turkey was ready to devote the Brussels meeting to purely

Suropean Union.

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Ministers spurn plea to delay end of duty-free sales

Duty-free shopping within the European Union will be scrapped in July 1999, EU finance ministers reaffirmed vesterday.

ful duty-free lobby failed to persuade ministers to go beyond offering financial aid. Despite sympathetic

and Germany, ministers ask the European Commisstopped short of supporting sion to spell out regional aid tax-free shopping. This was seen as one of the last chances to delay abolition, which finance ministers agreed unanimously in 1991 as part of efforts to eliminate tax distortions in the EU's

irish calls for a study on the measures to assist areas impact of the abolition of such as airports and seaports where duty-free shops The Duty-Free Confedera-

tion estimates that duty-free that unanimity was not sales amount to \$7.3bn a year, employing around 140,000 people. The UK

ing, noted that only a unanimous decision by all 15 EU governments could have overturned the move to abolish duty-free. "It was clear attainable.

Jean-Claude Juncker, Luxembourg finance minister and prime minister, said a retreat would sit oddly with

cellor, who chaired the meet- tax competition. At least seven other countries stuck ments have found it difficult to the original decision, according to diplomats.

> duty-free sales amount to a huge tax subsidy for the to \$3.8bn for the abolition, industry and that other alternative sales will spring

But with almost 18m

Europe, hard-pressed governto resist the power of the duty-free lobby. The Duty-Free Confederation argued would be expected to pay up and that the UK would lose

up to 23,000 jobs. In line with the effort to eliminate tax distortions,

Gordon Brown, UK chan- efforts to control excessive people unemployed in Mario Monti, single market commissioner, will today publish a new directive to introduce a minimum 20 per income from bank accounts that in a single market, yesterday that taxpayers and securities held within the EU by EU residents. Alternatively, countries can exchange information about interest payments to EU citizens resident in their juris-

Milosevic names his ally as premier

vesterday as President Slobodan Milosevic named an ally, Momir Bulatovic, as prime minister despite warnings by Montenegro, one of the federation's two constituents, that it would refuse to

recognise him. Montenegro's public prusecutor has launched criminal proceedings against Mr Bulatovic for leading a mob that stoned government offices in the capital Podgorica in January. Mr Bulatovic was Montenegro's president until efeated by the pro-western Milo Djukanovic in disputed elections in October

Mr Milosevic and Mr Bulatovic refuse to recognise the victory of Mr Djukanovic who won pledges of financial aid for Montenegro on recent visits to Washington and Europe, in contrast to Serbia's international isolation.

Analysts said Mr Milosevic wanted to strengthen Mr Bulatovic and his Socialist People's party before crucial parliamentary elections in Montenegro on May 31. Victory for Mr Bulatovic would allow Mr Milosevic to boost his powers by changing the federal constitution.

Mr Djukanovic has threatened secession if Serbia, ruled by Mr Milosevic's Socialist party, tries to dominate its smaller neighbour.

Diplomats were alarmed ring up another Balkan conflict just days after the US and its European allies lifted an investment ban on Serbia in response to his willingness to start peace talks with the ethnic Albanian leadership in the restive province of Kosovo.

However, the US-brokered peace process was in danger of collapsing vesterday. Kosovar Albanian negotiators threatened to pull out of talks scheduled for Friday because of reported attacks by Serbian police on civilians and a blockade of

Behind the shutters Italy's black economy defies government control

Around one-third of workers in the south are employed in 'illegitimate' and often highly successful enterprises, reports James Blitz

bot weekday morning in clothing, shoes and confect Lecce that manufactures the working population," he Gramo Nevano, an ordi-Mary-looking town in the northern suburbs of Naples. The streets are virtually empty, the shutters of all the main shops and blocks of flats are down, there are hardly any cars

moving on the streets. The impression is of a town observing some obscure local holiday. But behind the shutters, explains Luca Meldolesi, there is more activity than one might think.

This town is home to one of the liveliest black econo- ated in southern towns such mies in the country," he says. "There are about 10,000 people working illegally on

A member of the Italian

government has added his

over the way Carlo Azeglio

voice to the chorus of unease

Ciampi, the treasury minister, has slashed spending on

infrastructure as part of Italy's

bid to qualify for Emu, writes James Blitz.

In a sign that the treasury

could come under pressure to

relex spending in its autumn

minister for public works, has

budget, Paolo Costa, the

to drop its spending curbs

tionery. Needless to say, they would rather keep their identities a closely guarded

Professor Meldolesi is an economics professor at Naples university and his nese triads who operate in-depth studies of Italy's black economy have made him a figure much respected by the government. Over the last two years, he has spent much time getting to know the people in the black market personally, studying how the largest underground economy in Europe - situas Naples, Bari, Messina and

Catania - operates. The professor gives examples: there is the small, family-based enterprise near

Minister joins campaign to press treasury

even though the sums

voted by parliament.

bureaucratic than our

involved had initially been

"There is nothing more

treasury's procedures, which

have been invented in order to

keep cash flow under control,"

landed here and looked at our

procedures, he would think us

scknowledged there had been

public finance, Mr Costa

Addressing a conference on

Mr Costa said. "If a Martian

1.5m ties a year, there is an pania who decided to set up what soon became a hugely successful wholesale vegetable trade; there are the Chia clothing business in the town of San Giuseppe in the shadow of Mount

This is an economy that produces occasional stories of child labour, of enterprises that provide goods for well known fashion houses or which are large exporters of gloves, shoes or umbrel-

Vesuvius.

*Overall there are probably something like 5m people working in the illegal market, more than a quarter of

control over flows of public

money to ensure that Italy qualified for Emu, But he said

that "now that we are seeing

light at the end of the tunnel",

countered that it was in favour

expenditure, especially in joint

private-public sector projects.

much it is spent, it is because

it was time to adopt more

The treasury vesterday

of accelerating investment

"If there are limits to how

we don't have enough

"virtuous policies".

taking Italy into the European monetary union, the government is now trying to bring this economy into the open. Illegal business deprives the finance ministry of thousands of billions of lire per year in lost revenues at a time when the country is in the throes of fiscal restraint.

around one-third of the

workforce is illegally

employed while in regions

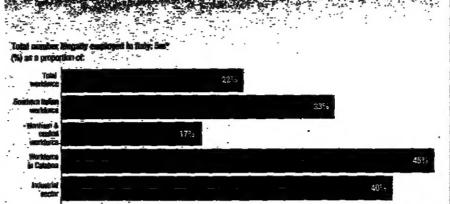
like Calabria, the figure

reaches some 45 per cent.

No less worrying, black market activity is an inefficient and unproductive method of operation for enterprises that would otherwise have growth potential. "This is a serious problem for our industrial competitiveness," says a senior figure at the treasury. "But crackdowns don't work and some of the phenomena creating illegality are very hard to tackle."

There are two reasons why illegal trading is strong in Italy. First is the large tax on labour: "legitimate" companies and their employees pay a huge tax "wedge" equivalent to around 100 per cent of basic salaries and many black marketeers an average of 4.5 years to know they would go bust if hear a case from start to finthey paid it.

The fiscal tightening



you-go pension system - quickly. It therefore has had schemes that allow compameans these taxes cannot quickly be reduced.

The second problem is the inefficiency of Italian public administration. Istat, the Italian statistical institute. has just published data showing that companies pay an additional 4.5 per cent of production costs just to deal with paperwork generated by local councils. Nor is there much incentive to operate under the umbrella of the law. According to Istat, it takes appeal courts

Romano Prodi's govern-

methods. More often than what is called the "grey market", entrepreneurs who do a

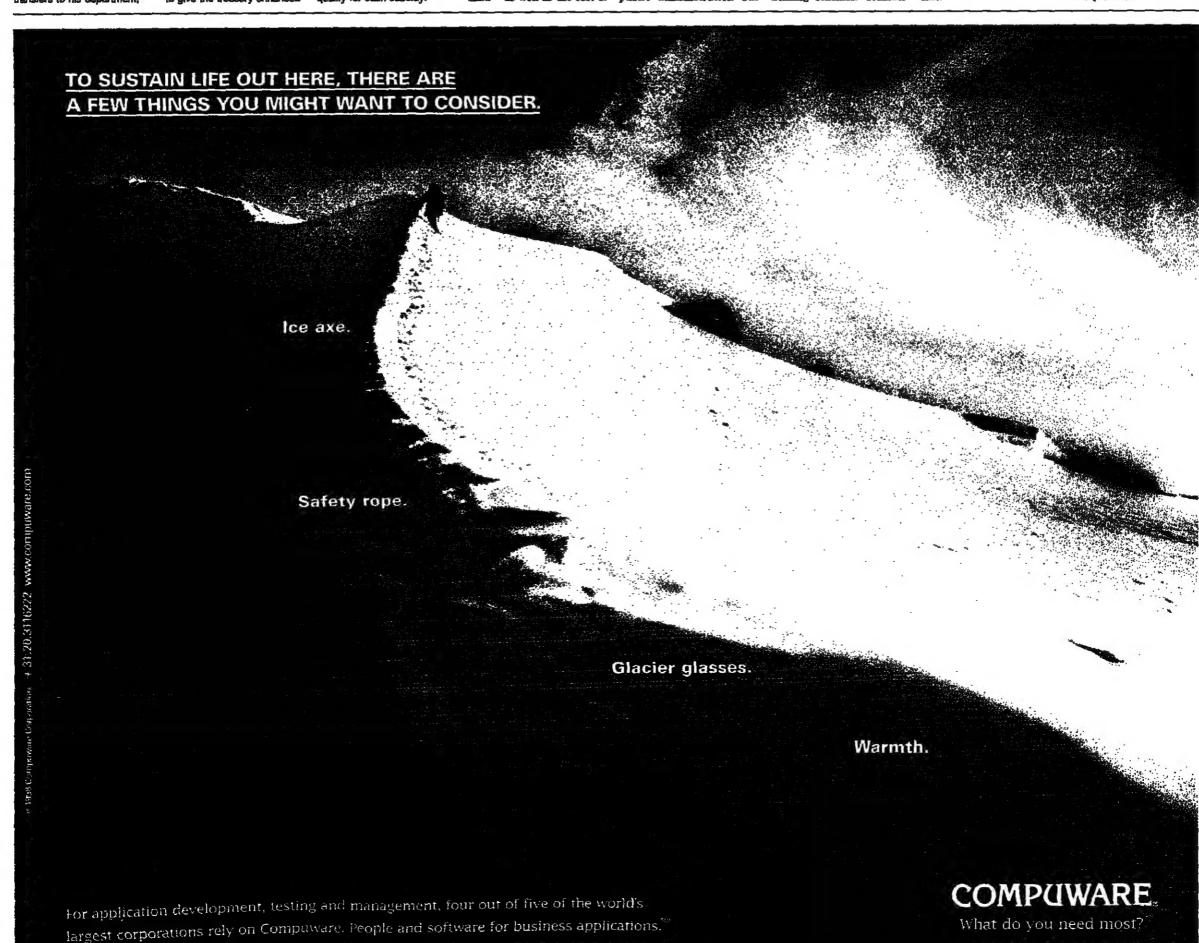
certain amount of manufacturing in the official economy, hiding the fruits of their illegal work behind locked doors. The finance ministry is said to be considering a temporary amnesty, for exam-

ple, for companies that come clean and declare that they have been employing unoffi-Success has been achieved in

financing Italy's pay-as- change will not come about ation has also been given to recourse to more subtle nies to go official, while being given the right to start not, these are directed at paying taxes on a graduated

> limited impact. The best hope for eradicating the underground market is that. somebow, the southern economy will grow strong enough to allow these companies to afford the taxes that are due.

"Twenty years ago, there were plenty of illegal organisations doing business in the cial labour over recent years. north-east of Italy," says Professor Meldolesi. "Today, getting craftsmen working their internationally known in the black economy to owners would not thank you



Shockwaves in Mexico over US 'sting'

By Leslie Crawford and Henry Tricks in Mexico City

The surprise arrest of Mexican bankers and the indictment of three Mexican financial groups on charges of money laundering in the US sent shockwaves yesterday through Mexico's political and banking establish-

While government officials sought to defend the integsystem, opposition congressmen expressed outrage and

Guillermo Ortiz, central sation and weak supervision money for Latin American bank governor, and of bank-have transformed Mexico drug cartels. Some estimates hank governor, and of banking regulators, accusing them of negligence.

"Once again, we must learn from a foreign source about what really goes on in our banking system," said Felipe de Jesús Cantú, a dep-National Action party. "The inefficiency of our authorities is shameful."

Dolores Padierna, of the Revolutionary Democratic party, said Mr Ortiz should resign because of his role, in 1991 and 1992, as deputy finance minister in charge of bank privatisations. "Privati- implicated in laundering every day, Bancomer has

into a money laundering par-

Robert Rubin, US treasury secretary, and Janet Reno, attorney-general, on Monday announced the indictment of three Mexican banks and the uty of the conservative arrest of 112 suspects following the biggest money laun-dering investigation in US history. They said a threetion had exposed widespread money laundering by Mexi-can bank branches along the US border. In all, 12 Mexican financial groups have been

put the amount laundered through the Mexican financial system at \$8bn a year.

The indicted banks - Bancomer, Mexico's largest, Serfin, the third largest, and Confia - yesterday pledged to co-operate with US and Mexican authorities in their

"The indictment is a call to attention, but it must be placed in its proper context." said Javier Fernández, Bancer. "Of the thousands of transactions we handle

cious transactions in the space of three years."

Banacci, the second largest financial group, has been implicated but not indicted in the US investigations. It said two employees at its Tijuana branch, on the US border, were arrested in connection with the investiga-

In addition to the indictments, four Mexican banks, and Santander of Spain have been summoned by the Feddetection procedures against money laundering.

With Mexican cartels now

\$50bn market for illegal drugs, according to US government officials, Mexical banking regulators no longer doubt that drug money i being recycled through Mexico's financial system.

in March, the government admitted that Grupo Anáhuac, a small Mexican financial group, had been bought by drug traffickers in 1995. However, Eduardo Ibar-

rola, deputy, attorney gen-

of the most protracted and least revealing teaser promotions on record. "Size does matter" - the copy line has been seen everywhere from the backs of cinema tickets to the sides of 20-storey buildings on Hollywood Bou-

Even Madeleine Albright, US secretary of state, was to make her contribution to the campaign recently when she noted: "Perhaps the most high-level visit (between the US and Japan] will occur... when... Godzilla will come

I hope you will excuse me if I decide to skip the state

Mr Suzuki said: "The old

"It is difficult for a fright Godzilla, the latest from loved rather than feared.

eral, stressed: "The money laundering accusations should not be seen as an indiciment of the entire Mexican banking system." Roland Emmerich, the Ger man director, whose Independence Day stormed the hox office worldwide in 1996 has been the subject of one

levard. Few can have avoided the fallout of a blitz which has reached into the inner sanctum of US government.

to New York.

Gojira had become rather predictable. There was a limit to what we could do with it, given our budget and technology." He thought there was even a chance Toho would resurrect the series after analysing how audiences reacted to the Hollywood version.

ening monster to last through many sequels," he said, predicting the benign Gojira would eventually return to Japan, where he is

US rates Radical plan to despite ensure growth solvency

A radical plan to ensure social security system was launched yesterday by a bipartisan, congressional-led commission. It proposed new individual savings accounts that could invest in the stock market and an increase in the retirement age to 70.

The report is the most comprehensive set of proposals in the growing debate over how best to restructure the troubled pension system to ensure it can cope with expected growth in the numher of retirees next century.

On current projections, the main social security fund is expected to go bankrupt by 2030, and President Bill Clinton and Newt Gingrich, House speaker, say they hope to propose legislation next year to solve the prob-

Releasing the new study, John Breaux, Louisiana senator and one of four congres sional co-chairs of the National Commission on Retirement Policy, said it was designed to serve as a blueprint for future political discussions. "I'm convinced

our plan goes way beyond the usual short-term quick fixes and provides a solid middle ground, where I see the Congressional debate going next year," he said. The commission, made up of 24 lawmakers, academics

and private and public-sector officials, unanimously endorsed the controversial proposel to allow individuals to direct 2 per cent of their existing 12.4 per cent payroll taxes into individual savings

Under the plan, workers would be offered several savings options for these funds, including putting some of the money into the stock market. Any extra costs of managing the transition between the current system and the new one would be covered by the fed-

securitization deal in the world?

unchanged

The Federal Reserve opted yesterday to leave shortinterest rates unchanged, in spite of rapid US economic growth over the last few months and increasingly tight labour markets.

The central bank's open market committee has now left rates unchanged since if federal funds rate by 0.25 percentage points to 5.5 per cent in March last year.

Alan Greenspan, Fed warned that output growth which reached an annual rate of 4.2 per cent in the first three months of the year, is too fast and will eventually lead to a resurgence of inflationary pressures if it does not

Signs of inflation have begun to emerge

recently. Most notably, average earnings rose by 4.4 per cent in the year to April, the sharpest increase for 15 years, as unemployment fell to 4.3 per cent, the lowest level in 28 years.

But Mr Greenspan and his colleagues remain confident that special factors - especially warm weather - were growth at the start of 1998 and that growth will slow this year as the full effect of the Asia crisis begins to be felt by companies.

But if the economic data point to continuing rapid growth over the next six weeks, Mr Greenspan will come under intense pressure from some members of the policy-setting committee to

witment

There was some evidence to support expectations of a slowdown in a report yesterday from the Commerce Department, which said new housing starts fell for the second straight month in April, after exceptionally fast growth in the first two months of the year.

It's bigger, it's badder, and it's back... Hollywood is hoping for a monster hit with the new Godzilla

By Michiyo Nakamoto in Tokyo and Christophe

🦳 odzilla is back, bigger and badder than ever, and seemingly bound to trample anything that gets Sony Pictures has tried to

make sure of that with fullpower promotion and bookings for tonight's official US opening on a record 7,363 screens in 3,310 cinemas. But as all Japan knows, there is more to the 44-year-

than backsides on seats.

Hollywood's version may

enough to return a handproduction costs and luxurious marketing budget.

But it takes more than and marketing to generate the staying power of the original Gofira, released in Japan in 1954, and subject of numerous remakes and revivals, comics and other ephemera until its official "death" in 1995.

Created by Tomoyuki Tan-

iry jargon - for a run long the first film coincided with reports that Japanese fishermen had been exposed to the fallout from atmospheric nuclear tests in the Pacific.

"Although it was frightensuper-duper special effects ing, it evolved into a movie star that entertained its audience," said Shogo Tomiyama, who produced the last six Gojira films.

always destructive, regularly trampling Tokyo as the bullets bounced off its reptilian hide, it gradually emerged old fire-breathing monster aka, who died last year, that this was no vindictive Gojira captured the Japa- lizard, just a displaced nese imagination from the mutant ill at ease in the have the legs - in the indus- outset when the release of presence of man. As Mr ative in that respect."

Tomiyama said, the durability of its appeal in Japan owed much to the mystery surrounding the beast - its unknown origins and unknown destination when it routinely disappeared at the end of each film.

act was catharsis enough for Japanese cinemagoers, he Although Gojira was said. "US entertainment films are about people who overcome difficulties." They prevail - and catharsis is achieved - by killing the interloper, "so the question is whether the [Sony] Tri-Star team has been more cre-

No. Godzilla falls (naturally. not without leaving the door open for a sequel or three), serving US audiences' tastes, true to Hollywood tradition, and, according to Mr Tomimaya's theory, robbing it of The inevitable vanishing a shot at enduring stardom

Tokyo, bears the brunt of the monster's wrath in this week's release. Transformed from its portly, flat-footed role model, it is sleek, sprightly and deeply ugly in the Jurassic Park mould. Sony's expectations high.

"I know it's late, but I'd like some sushi. How far do I have to go?"

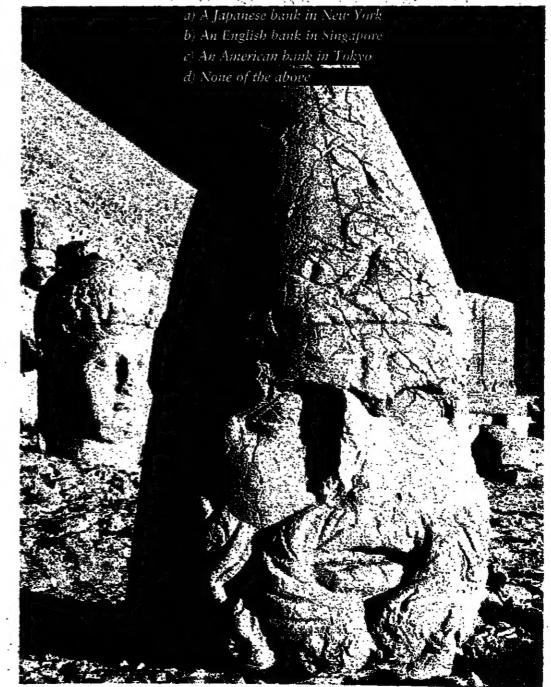


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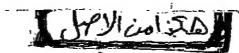
FOUR SEASONS

Who did the first



The right choice is "d"; which should read "a global bank in Turkey". The bank which issued the first 144A Eurobond, the first IFC B Type Securitized Loan application and the first US Commercial Paper from Turkey. Garanti Bank in short. Wouldn't you invest in a bank, where all the benchmark transactions come from?

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PC industry keeps low profile

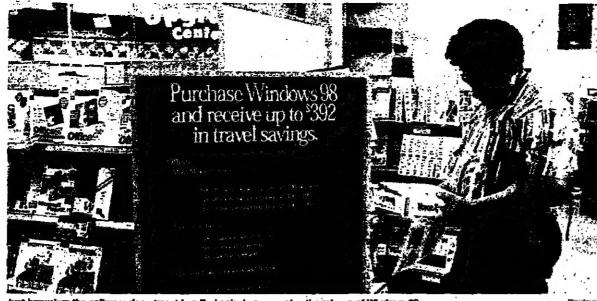
personal computer industry and even some of its louder critics have suddenly become wary of taking sides in the wake of government antitrust lawsuits filed against the software industry leader on Monday.

PC companies and others who rallied behind Bill Gates just two weeks ago, warning that any delay in shipping the Windows 98 operating system would be a disaster for the industry and have a broad impact on the US themselves from the antitrust debate.

intel, which dominates the market for microprocessors used in personal computers and is one of Microsoft's closest partners, said it had no comment on the lawsuits or their potential impact on the industry. Intel itself is the target of an antitrust investigation by the Federal Trade Commission.

Compaq Computer, the world's largest PC maker, said only that Microsoft's internet browser "meets the market requirement". The company did not comment on the Justice Department's demand that Microsoft separate its browser from Windows, or alternatively that Microsoft bundle a copy of

Neither was Compaq



ment's demand that Micro- larly reticent. "We've made soft give PC makers more flexibility in the way they configure the "opening screen" that PC users see when they first turn on their

According to the government's lawsuit this would enable PC makers to highlight software of their choosing - whether from Microsoft or from other suppliers - providing consumers with a wider range of

However, Compaq said it was "pleased with the current arrangement that we have with Microsoft" with regard to the start-up screen.

our thinking about the timely release of Windows 98 abundantly clear," the company said. It said it would await the outcome of the lawsuit and respond accord-Currently, Dell computers

are delivered with Microsoft's internet browser. Customers who want to have Netscape software pre-installed must pay extra.

The PC industry is in a "lose-lose situation" if it takes sides on the antitrust issue, industry commentators said. On the one hand, it risks antagonising Microsoft, upon which it relies for criti-

On the other hand, there is some fear that the industry may be viewed as having colluded with Microsoft in alleged anticompetitive Spn Microsystems, which

is involved in a bitter legal struggle with Microsoft over Sun's Java programming language and has been an outspoken critic of Microsoft's business practices, had uncovered serious viola-said yesterday that it tions of the law," Netscape "applanded" the Justice said. Department's action. The lawsuit was an action "in favour of innovation and choice in a very important market", it said.

Netscape, which depicted as the victim of Microsoft's alleged exclusionary practices in the government's lawsuits, similarly expressed its support of the department and the states

involved in the legal action. "We believe government investigators have examined the case thoroughly and would not have brought action against Microsoft unless their investigations

"We may never know how our company would have developed in the absence of the kinds of anti-competitive behaviour that formed the basis of the government's

market power, could drag on

The similar case against

Economists' opinions berate Microsoft

Two leading US economists have accused Microsoft of harming computer users by adopting anticompetitive behaviour to protect its monopoly in operating soft-

Microsoft's alleged strategy of restricting competition in operating software and internet products would slow the development of new technology and increase prices to

Their opinions have been filed in court as expert evilawsuits launched on Monday by the US government and 20 states. Antitrust officials have asked a federal court in Washington for an injunction to end Microsoft's allegedly restrictive contracts with computer makers and internet service compa-

said Microsoft was attempting to protect its monopoly in operating software by using anticompetitive flagship product, Windows actions against Netscape Communications, its rival in

internet software. In written evidence. Mr Fisher attacked Microsoft's actions for sending a message to all software developers. "Microsoft will impede any innovation that threatens the dominance of Win-

He added: "If Windows is truly a superior product, it will succeed on its merits. The actions Microsoft is taking will prevent that from

David Sibley, economics professor at the University of Texas at Austin, said Microsoft had tried to constrain choice in internet browsers. which navigate

the world wide web. of economics at Bell Commu-

setts Institute of Technology, accused Microsoft of giving up profits on browsers as any possible threats to its operating software. He added that unless the

888

current trend in market share was stopped, Microsoft would soon establish a monopoly in internet browsers, which would eliminate any threat to its dominance in operating software, Microsoft's political back-

ers staged a public show of support in Washington yesterday, condemning the government for attacking Microsoft's business practices.

Patty Murray, senator for Washington state, which is home to Microsoft, said: "A number of Microsoft's comsome Justice Department lawyers to try to get in court what they have not been able to get through open

Wall St sees good times for software producers

Wall Street vesterday looked beyond the Justice Department's assault on Microsoft, pushing the company's shares back up after the beating they took when news of the antitrust suit first emerged.

The rebound - and the continued rise of other software stocks - appeared to reflect a view that has taken strong hold in recent months: that a new generation of cheap PCs, while posing a threat to some makers of computer hardware, will be good news for software producers. Against that prostake years to resolve, was seen as only a distant threat to the maker of the Windows

operating system.

yesterday, a gain of more ing back slightly to \$864. The day before it had lost

The stumble in Microsoft's share price this week remains modest by the standards of the volatile technology industry, and leaves the company's stock still a third higher than its level at the

start of the year. Other pillars of the sector have fallen much harder in tougher times faced by hardware makers. Hewlett-Packard's shares have lost a fifth of their value since the compect, the Justice Depart-ment's legal attack, likely to ing late last week. Intel also lost ground last week on concerns about falling computer chip prices. Both companies have been hurt by the rise of cheap computers.

a whole has remained one of the main engines of the bull

Among the latest crop of high-fliers in the technology sector, Dell Computer continued to soar vesterday on hopes that it had avoided the troubles that have hit other PC makers. Its quarterly earnings were due to be released after the stock market closed last night. At \$961 the shares were \$53 higher than they had been at

the start of the year. The success of Cisco Systems, meanwhile, continues to reflect the spreading popularity of the internet which has boosted demand for the routers, switches and other networking equipment on which the internet runs. At \$7911, Cisco's shares have risen nearly 50 per cent over

13

Department likely to seek quick action

a served over like

Justice Department's landmark antitrust lawsuit against Microsoft is expected to take place in Washington on Friday and the government is expected to push for expedited action on its request for a preliminary court order imposing broad restrictions on the software

company. The case will be heard by

Judge Thomas Penfield Jackson, who sided with the government in an separate case against Microsoft when it was accused of violating a 1995 antitrust settlement agreement. That case is now

Judge Jackson criticised Microsoft's tactics in the earlier case, in which he concluded that its Windows 95 operating system and its internet browser could easily be senarated.

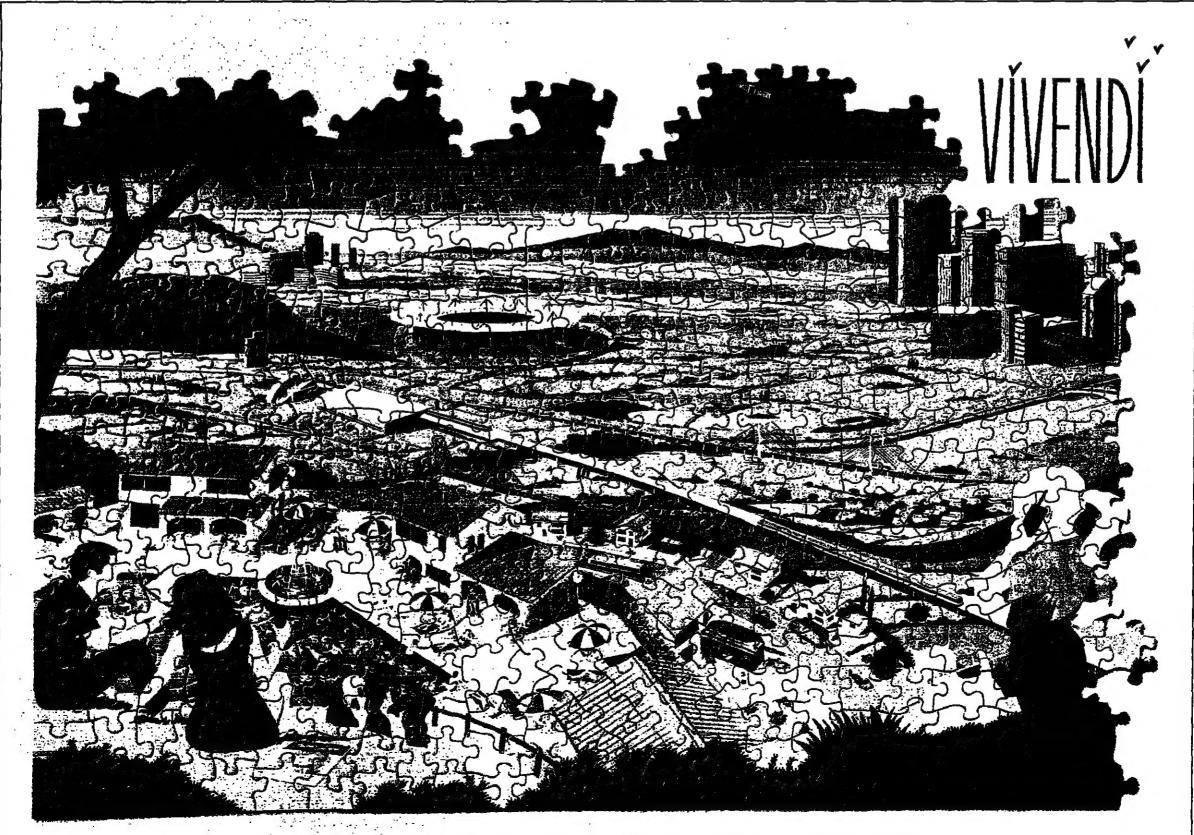
new case are expected to be similar. The government is demanding that Microsoft browser from Windows 98, the latest version of the software, or include an alterative browser from Net-

scape, its rival.

In part, arguments in the ers and online services such as America Online. Microsoft lawyers are already expecting an appeal either de-couple its internet against Judge Jackson's ruling on the preliminary

The preliminary injunction phase of the Justice Department's lawsuits could In addition, the govern- be concluded in weeks, he ment is seeking changes to predicted, but the main body Microsoft's contractual of the case, in which it will arrangements with PC mak- have to prove its allegations ers, internet service provid- that Microsoft has abused its

Microsoft filed by 20 state attorneys general and the District of Columbia is likely to be consolidated with the Justice Department case. legal experts said. However. it was not clear how additional issues relating to Microsoft's office productivity software, raised only in the states' case, would be



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Shipments of grain and are being severely disrupted by the country's upheaval, raising fears of shortages that would further worsen the country's economic crisis, according to trade officials and bankers.

das cal

Some previous contracts are still coming through. But new deals are grinding to a halt and we are seeing trade being suspended," said a western trade official. There is not a foreign bank on the planet that would accept a letter of credit from an Indonesian bank at the

Disruption to Indonesia's transport and distribution system, partly the result of recent attacks on ethnic Chinese businesses, has compounded the problem. Further concerns centre on the safety of warehouses and the reliability of transport after last week's riots.

major rice producer, drought and population pressures have made it increasingly dependent on food imports. "They are looking to import several million tons of rice this year." said one diplomat. "They also need soyabeans, grain, beef and animal feed."

Indonesia's National Logistics Board (Bulog) said it had sufficient supplies of foodstocks to respond to the upheaval. "We have enough

stocks for the people's basic needs, and we will continue market operations," said Beddu Amang, head of Bulog. National stocks held 2.4m tonnes of rice, 475,000 tonnes of sugar and 443,000

tonnes of wheat. With Indonesia's economic crisis deepening and the financial system paralysed, diplomats warned of growing problems. Prices of meat rice and vegetables in Jakarta have risen by 10 per adding to sharp increases since Indonesia's economic crisis began last year.

Thai exporters are increasingly concerned about payments from Indonesia. "The situation there raises a lot of questions, and risks we are not ready to take," said the Thai Rice Exporters' Associ-

are guaranteed by institutions in third countries, such as Hong Kong or Singapore, we have to suspend ship-While Indonesia has a ments." Many Thai rice and large rural economy and is a sugar exporters are demanding payment in cash,

est suppliers, including Australia and the US, have introduced funding programmes designed to revive trade. These are based on Indonesia's central bank using funds deposited abroad to guarantee letters of credit.

"These programmes have been in place for several months," said one trade official "but they are moving

Suharto compromises, but uncertainty reigns

Confident and even jocular at times, President Suharto appeared live on Indonesian television yesterday in what observers regarded as another attempt to buy time.

He promised a speedy reform of electoral laws, fol-lowed by elections "as soon as possible" for an assembly that would then elect a new president. "I will not run for resident again," he said. By Mr Suharto's standards, this was a big compromise. But dates and details

are lacking and observers

felt it would be months dentbefore the president would be replaced

To some critics, such as Abdurrahman Wahid, chairman of a large Moslem organisation. that was mander of the armed forces. enough, even as he insisted he still wanted Mr Scharto out. "But if we follow the constitution - we can't do it in one or two days. This will take months," he said. "Please stop demonstrating."

Others believed that Mr Wahid and other Moslem leaders preferred a few military analyst, rejecting months of Mr Subarto to his suggestions of a split in the the unpopular vice presi- own egos, but when they

Mr Suharto proved yesterday he still commanded the loyalty of the military's top brass. On Monday night General Wiranto, chief comrejected a call by parliamen-

tary leaders for the presi-

dent's resignation and threatened a military crackdown against protests. "Suharto's position has strengthened after what Wiranto said last [Monday] night," said Salim Said, a

face the outside world they are united."

Student leaders had long planned nationwide protests for today and, if the crowd of more than 10,000 students in front of parliament and smaller protests by white-collar workers near the Jakarta Stock Exchange with relief at the prospect of ary, a drop in monthly reveyesterday are anything to go a peaceful transition, but nues of \$1.65bn. This

by they will be large.
"All of us just want Subarto to step down now," said Ari Wibowo, an englneering student protesting inside parliament, "If the majority of the people supreplacement by B.J. Habibie, army. "They may have their port reform, one day the army will join us.".

Mr Suharto's statement by rushing to the markets to stock up on food while shop owners emptied their shelves and said they would

close down today, fearing

widespread unrest. Investors at first reacted soon worried that the economy may not survive a protracted change of leadership. "In some ways, the worst outcome is continued uncertainty," a. western

trade official said. Nilesh Jasani, regional predicted a fall in gross domestic product of 15 to 20 per cent this year. Indonesian consultants

estimated yesterday that exports of the 20 main nonoil export commodities had dropped 57.7 per cent in increases fears of a sovereign debt default as reserves fall sharply.

"We are seeing the onset of paralysis in trade and shipping," said Mr Jasani.
"I've been in Nigeria and I've never seen anything like

The actors to watch in Jakarta's political drama

Foreign and Indonesian observers alike have lost track of the power struggle in Jakarta and are confined to "Kremlinology" - watching the kingmakers and leaders who meet the president, lobby in parliament or talk behind doors with generals.

Amien Rais, An Americantrained academic and chair-man of Muhammadiyah, one of the two largest Moslem organisations, Mr Rais has emerged as President Suhar to's most dynamic opponent. He has rejected government offers of a compromise and will settle only for Mr Suharto's resignation. Sharp and ambitious, he is distrusted by many in the opposition for his populist talk, his earlier jibes against the ethnic Chinese minority and his ties to some of the generals,

But others have come

around to his side, for lack



of another leader, and are 'uum when he was struck by was pushed out in a party persuaded he is a moderate. a stroke late last year. "He struggle engineered by Mr Abdurrahman Wahid. Better known as Gus Dur, Mr Wahid heads the other lead-

ing Moslem group, Naholatul Ulama, and was the most powerful opposition figure to accept Mr Suharto's request for time yesterday. Recognised as one of Indonesia' leading intellectuals, a moderate and an ally of the reformist military who has warned against the rise of fundamentalist Islam, Mr Wahid left a leadership vac-

may have decided that a few more months of Suharto would be better than chaos, one diplomat said

Megawati Sukarnoputri. Mrs Megawati, daughter of the late President Sukarno, has often been mistaken for But even her fans admit she is a very hesitant leader, pushed by her father's followers into a role she fears to take. She agreed to head the Democratic party but

Suharto. "She is still the only one who can lead Indonesia. She has people's

power," said an aide Harmoko. Long the butt of inkes for his colourless lovalty to Mr Suharto. Mr Harmoko surprised triend and foe on Monday by asking the president to step down and convening a meeting of the four factions of parliament that could lead to an impeachment procedure.

trical play directed by Mr Suharto.

Wiranto. General Wiranto, chief commander of the armed forces, disappointed many moderate opposition groups who thought he would rise to the occasion and persuade Mr Subarto to step down peacefully. Instead, he has made a number of bumbling statements that, to observers, reveal both his continued loyalty to the president and his weak-

Prahowo Subjecto, Mr Prabowo shot up the ranks of Indonesia's army to become commander of the strategic reserves earlier this vear. Much of his rise he owes to his marriage to Mr Suharto's daughter, but he is also recognised as one of the military's sharpest minds. For many observers he is the dark prince in this Shakespearean power struggle, accused of orchestrating last week's shooting of six students and sparking the riots. But he appeared to stick by his father-in-law and Gen Wiranto, preventing a split in the military. "If Suharto goes, Prabowo is finished."

one diplomat said. B.J. Habibie. Indonesia's vice-president would be the constitutional successor to Mr Suharto if he were to sten down. He lacks any political base other than his lifelong attachment to Mr Suharto. He has kept a low profile in recent days.

China's engines start going into reverse

Seven consecutive months of falling prices, driven by chronic oversupply, are evidence of an acceleration in the deflationary trend, write James Kynge and James Harding

stream near mountains that fell away like a Chinese painting. But when he was told he lived in a beautiful area, his face darkened.

"Beautiful is beautiful, but life here is poor," he said. The price of his six cows had fallen by two thirds in the planned to sell them all this autumn. "I'm getting out of herding. I'll be free," he

His condition is common right across China, not only among some 900m people who live off the land but also in primary industries and even among manufacturers making successful new Chi-

Seven consecutive months of falling prices, driven by chronic oversupply, have slashed profit margins and forced farmers and corporais not new, but it appears to be accelerating.

Taiwan, Japan, South Korea, south-east Asia and China what we are seeing is a dramatic, and I stress the word dramatic intensification of mist, Indosuez W.I. Carr Securities in Hong Kong.

China's deflation was seen last year as a symptom of slowing growth but now it appears to be becoming a cause. Expectations of sizzling demand and rising prices have long been a driving force for corporate investments. But sustained price declines threaten to turn the entrepreneurial

engines into reverse. Evidence of falling prices, both statistical and anec-

he herdsman stood by a tions to rein in future out-dotal, is overwhelming. The put. The deflationary trend retail price index fell by 2.1 ment spending accounts for per cent in April, its steepest monthly retreat yet. Price "All across the region - in wars have broken out between suppliers of white goods, airline tickets, computers, cars, animal fodder

> petrochemicals Some Michael Taylor, chief econo- as 15 per cent year-on-year, the prices of some steel products have fallen 20 per cent in the last year and the market price of some coal which generates 75 per cent of China's power needs - has fallen 25 per cent since the end of last year, company executives said. Chinese leaders have

and other products.

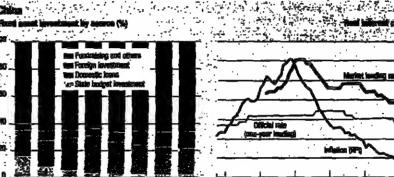
deflected gloomy scenarios of declining growth by saying that spending on fixed assets is to total US\$750hn over three years.

But such figures can be

misleading. Central governaround 2 per cent of total fixed asset investment. meaning that China's leaders have limited direct power over investment. Most of the fixed asset spending in China is now determined by companies and banks, both

their cue from the market. But it is not only deflation which may cause investors to hesitate. Exporters, which last year provided 20 per cent of gross domestic product growth, are finding competition from south-east Asian rivals increasingly tough, officials said. Exports grew 11.6 per cent in the January to April period, down 15.3 percentage points from the same period a year earlier.

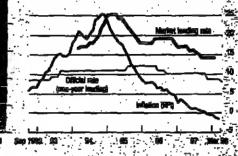
Foreign direct investment in April plunged 19.4 per



cent to \$3.12bn from the same month a year ago. In the first four months it grew by less than 1 per cent as investments from Japan. South Korea, Indonesia and Thailand fell sharply, Asian nations have provided more than 80 per cent of China's China was becoming a twoforeign direct investment, speed economy, with the

The reform of state enterprises, though it addresses fundamental industrial weaknesses, is also acting as

which hit a record \$450n last



a short-term brake on growth, economists said. In northern parts of China, where the drip-feed of state social unrest. But it has shown no sign credit to alling enterprises has at last been turned off. growth rates are plunging.

Economists said that

of slackening its mission to Planning Commission. reform state enterprisesprogramme of staff lay-offs, mergera, acquisitions and

has been to quicken the pace of reform: "If you ride a bicypotential to surpass it. The likely to fall off," said cent.

one Chinese economist. But many believe that unless Beiting takes urgent messures to stimulate domestic demand, deflationary forces could sap economic vigour just at the time when swelling ranks of looking for a job.

E (2)

Shawn Xu, economist at Merryl Lynch in Hong Kong, identified housing reform and increased bond issuance to fund infrastructure spending as two ways to stimulate demand.

unvailed a list of 117 key uneven distribution of infrastructure projects to be wealth is troublesome to a carried out this year, more government worried about single projects than in any previous year, according to the State Development and

Also, China plans to within three years through a increase housing loans to around RMB100bn (\$12bn) this year - RMB72bn more than last year - but the offi-In fact, its response so far cial Economic Daily last week described this an "inadequate" to ensure a south-east possessing the cle slowly, you are more national growth rate of 8 per

Notification of Dividend

The Annual General meeting held on May 19, 1998 confirmed the distribution of a dividend of DM 2.00 per share valued DM 5.00 at par for the financial year 1997.

The dividend will be paid on or after May 20, 1998 net of 25 % withholding tax plus an additional surcharge of 5.5 % against submission of dividend coupon No. 16 as appropriate at one of the paying agents listed in issue No. 93, dated May 20, 1998 of the German "Bundesanzeiger" (Federal Gazette).

Taxation Agreement of November 26, 1964, as amended on March 23, 1970, between the United Kingdom and the Federal Republic of Germany, the withholding tax plus the mentioned surcharge in respect of shareholders resident in the United Kingdom is reduced to 15%. To claim this reduction, shareholders must submit an application for reimbursement before December 31, 2002 to the Bundesamt für Finanzen, D-53221 Bonn,

In accordance with the Double

In the United Kingdom the dividend payment, which is free of charge, will be made in Pounds Sterling with conversion from Deutschmarks at the rate prevailing on the day of submission of the dividend. coupon and will take place through the London offices of the following companies:

SBC Warburg Dillon Read, 2 Finsbury Avenue, London EC2M 2PP.

Deutsche Bank AG, London, 6, Bishopsgate, London EC2P 2AT.

The Board of Executive Directors BASF Aktiengesellschaft

D-67056 Ludwigshafen/Rhine May 20, 1998

BASF

1000年的 1000年 1000

CONTRACTS & TENDERS

north and north-east

unlikely to achieve the national target of 8 per cent

growth this year but the





Advertising release for sale of shares by direct negotiation

The STATE OWNERSHIP PUND, a Romanian public institution based in Buchanest, 6 Stavropoleos Street, sector 3, is offering for sale by direct negotiation according to the Government Urgency Ordinance up. 38/1997 and the Government Decision no. 55/1998 published in the Official Gazette no. 66/12.02.1998 a 77.159% of the issued share capital of ABROM S.A. Company, Barlad.

Registered Office: Bårlad, Str. Grigore Ignat m.3, jud Vaslui.
Fiscal Code: R2808097
Registration no. at Commercial Register Office: 137/21/1991
Issued stock capital, according to the latest records at the Commercial Register Office: 16,275,600 thousand ROL.
Tunnover in 1997: 17,226,320 thousand ROL.
Net grount in 1997: 48,447 thousand ROL.
Main scope of activity: production and trading abrasive parts, carborundum products and thermoinsulating refractary products.

Total number of shares at a nominal value of 25,000 ROL each: 651,924. The share ownership structure is as follows:



The offer price for the 77.159% issued share capital, i.e. 592,322 shares is 3,952,924 USD.

The Company PRESENTATION FILE required for subscription to the offer may be obtained at the State Ownership Fund, BUSINESS CENTRE, OFFERS DIVISION of the International Relations Department, Bucharess, 6 Stavropoleous Street, sector 3, phone 04-01/310495; 3123130; 3124231 and fax 04-01/3121841, daily between 8.00 and 16.00 lms., at a price of 1,400 USD for foreign citizens or legal entities or ROL equivalent at National Bank exchange rate applicable on the PRESENTATION FILE purchase date for Romanian citizens and legal entities.

This sum has to be transferred in advance to the State Ownership Fund accounts: no. 2511.000000242.3.00008 in USD at the Romanian Bank for Foreign Trade (BANCOREX) for foreign investors, or no. 2511.0098.0006224 in ROL, at the Romanian Bank for Development-Bucharest Branch (BRD-SMB) for Romanian investors. The minimal environmental conditions accepted for ABROM S.A. Company, Barlad are included in the company PRESENTATION FILE.

THE PRESENTATION FILE will be released on pre-O a copy of the payment order for the presentation in the including cannot can't (or passport for foreign chizzus);

articipate in the negotiations, bidders are retained to present evidence of putting at the Seller's disposal a guarantee artical in the negotiations, bidders are retained to present evidence of putting at the Seller's disposal a guarantee artical in the Seller's disposal a guarantee are specifically fund, to account no. 251 i.009.809.00313 at the Romanian Bank for Development - Bucharest Branch (BRD) and the specific property of the specific

Bidders that prove they acquired the Presentation File may submit their PURCHASING OFFER. Biddens should submit the PURCHASING OFFER and the documents stipulated by the Governmen 27, published in the Official Gazette no. 66712.02 (1998 to the State Ownership Fund, Offices Dividens, in a scaled cavelope, prior to 2nd of June 1998, 16.00 hrs. local time (from deadline for

Jeylin JA

By Robert Corzine in Atyrau

Shareholders in. Kazakhsian's giant Tengiz for operating expenses. oil field will have to stump undermined plans to selffinance the ambitious expansion of the country's premier economic project.

Managers at Tengizchevroll (TCO), the Chevron-led operating company overseeing the \$20bn development along the shores of the Caspian Sea in western Kazakhstan, confirmed yesterday no longer able to cover firmed that spending over cash call, which would be

al drama

planned spending this year, the next few months would reviewed each month. which includes \$600m for capital projects and \$200m tractors took advantage of

Ken Godard, Tengiz's genup more cash because low eral director, said he had world crude prices have warned shareholders - Chevron and Mobil of the US, the Kazakh government and Luk Arco, a Russian-American joint venture - that the alternative to a "cash call" go abead as planned," he

> TCO managers declined to they were confident that say how much money they all shareholders would tariffs, the distribution of in 1993 to just over \$8 a bar-had asked for, but they con- respond positively to the surplus cash and royalties rel, transport costs can be

be particularly heavy as consummer weather to undertake maintenance and construction projects at the field, where more than 10,000 workers are employed.

Tengiz is one of the

10 biggest oil fields in the world and its development is oil prices enabled TCO to the centreplece of Kazakhwas to slow the pace of stan's ambition to become a expansion: "They told me to leading petroleum exportar by the end of the next ade. TCO executives said

But there is uncertainty whether the Kazakh government which is struggling to meet pension and state wage payments, will be able to meet its 25 per cent share of the Tengiz costs should low

oil prices persist.
Last year, relatively high return surplus cash to shareholders. Tengiz's total "economic contribution" to Kazakhstan last year was about \$210m in wages, social spending, rail and pipeline

year will fall to about \$175m. ited access to pipelines with direct payments to the government such as royalties and taxes, hit hardest The need for the state to inject funds directly into TCO threaten to erode that figure further.

Rising production, which last week reached a record 200,000 barreis a day, has only partially offset low crude prices. Although operating expenses have fallen from more than \$17 a barrel and taxes. TCO forecasts more than \$8 a barrel

through neighbouring Rus-sia, while the planned CPC pipeline linking the field directly to the Black Sea will not be ready until 2000. "What Tengiz really needs

is a pipeline and higher oil prices," according to Guy Hollingsworth, head of operations. He noted that Tengiz had been largely selffinancing over the past three years. But oil prices, which have averaged about \$14 this year, would need to rise to \$20 to ensure that Tengiz's planned expansion could be

NEWS DIGEST

BORDER DISPUTE

Ethiopia warns of danger of all-out war with Eritrea

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Ethiopia said yesterday its border row with Eritrea could develop into a full-scale conflict and urged the international community to pressure Asmara into quitting its territory. In a statement issued after a meeting with foreign diplomats in Addis Ababa, Sayoum Meetin, foreign minister, said Ethiopia's patience had been stretched to the limit and warned "necessary measures" would be taken.

"In cese we go into full-scale conflict, due to Eritrea's fallure to head Ethiopia's call for unconditional withdrawal of its troops. Ethiopia would like the international community to appreciate how we handled the conflict imposed on us," Sey-

Ethiopia and Eritrea have disagreed peacefully over their engthy border since 1993 but the spat turned violent this month with both sides accusing the other of invading the other. Entrea admits its army engaged Ethiopian forces on May 6 but insists it has merely retaken land which its neighbour grabbed six months earlier. Reuters, Addis Ababe

CANCER DRUG TRIALS

Encouraging results for Taxol

Taxol, the cancer drug manufactured by Bristol-Myers Squibb from yew tree needles and twigs, significantly increas vival when used in chemotherapy for ovarian cancer, according to clinical trial results released lest night. The American Society of Clinical Oncology meeting in Los Angeles heard that a drug combination including Taxol increased average survival from 25 months to 35 months when used instead of standard chemotherapy.

Data from the trial, which involved 680 women in Europe and Canada, will increase pressure on European doctors to prescribe Taxol. Many have been reluctant because they did not feel the drug's benefits justified its cost - about £7,500 (\$12,525) per patient in the UK. Clive Cookson. London

ISRAELI 'TORTURE'

Shin Bet methods criticised

Israel's security service, Shin Bet, tortures at least 850 Pales tinians a year, according to a report published yesterday by B'Tselem, the independent Israeli Information Centre for Human Rights in the Occupied Territorias. But Ami Ayalon, Shin Bet chief, in a recent affidivalt to the High Court, claimed "irregular methods of interrogation thwart terrorist attacks".

Based on evidence from former detainees, B'Tselem said prisoners were held in isolation in cramped and filthy conditions, often for several months. Their interrogators used Shabeh, in which the detainee's hands and legs are shackled to a small chair angled to slant forward, while his head is covered with a sack and loud music is played non-stop.

Shin Bet has admitted to using Shabeh, as well as Qambaz, or "frog position" in which the detainee is forced to squat on his toes with his arms tied behind him, if he falls, he is besten or kicked. Shin Bet also uses violent shaking. The United Nations Committee against Torture this week criticised israel for the use of torture.

An inquiry set up by Landau Commission in 1987 permitted Shin Bet to apply "moderate physical pressure, under certain circumstances. Judy Dempsey, Jerusalem

Africa has a rare opportunity to prosper, but will it squander it?

After decades of stagnation, there is a chance to rejoin the world economy. Victor Mallet reports on southern Africa's economic summit-

executives, politicians and sconomists when Michael Jackson, wearing bright red lipstick, made a surprise southern Africa economic summit in Namibia and told them to take better care of "the children of the uni-

But his audience of 800 greying senior managers could no more find fault with his bland message than economic reform in Africa.

The theme of the summit, organised by the Switzerand-based World Economic Forum, was the need for southern Africa to compete in the world economy after decades of war, stagnation but combative economist Jefand decline.

Americans, from President national Development, to Bill Clinton down, were finally interested in Africa. situation is promising but at The continent should make the same time dire," he said. the most of the world's attention to attract investment. Southern African leaders should consolidate insufficient support when democracy, ambrace high they do occur on the other." technology, integrate their

here were more than a economies to give the region few cynical growns from more clout, and above all the assembled chief continue economic reforms that had already produced higher growth.

"Despite all the misgivings we may have about going appearance at this week's global, it has ceased to be a matter of choice," said Kaire Mbuende, executive secre-tary of the 14-nation Southern African Development Community. "Going ity exports. global is a matter of sur-

African presidents and

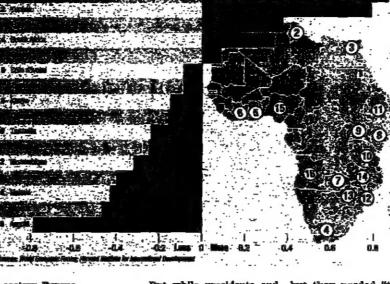
ministers from South Africa they could disagree with the to Zambia made all the right exhortations by other speak- noises, embracing "openers for further political and ness", "transparency" and "efficient governance" .. There was barely a whiff of the inward-looking nationalism or the Marrist-Leninist rhetoric that brought many of them to power. It took the boyish-looking

frey Sachs, director of the Delegates were told that Harvard Institute for Interdeliver the had news. "The "Reforms are too slow. They are too gradging on the one hand and they are receiving Mr Sachs is famous for his

scorn of the International Monetary Fund and the World Bank. He earned applause this week for likening the adoption of their failed African structural adjustment plans to "being in the dentist's chair for 10 years", and he noted that they had failed to release the continent from debt or from its dependence on commod-

But Mr Sachs also put his finger on the weakness that could yet derail a recovery siready being hailed as "an African rensissance": many African leaders paid lip service to reform and free markets because they wanted to attract international investment, not because they really believed in free-market principles.

The theme was taken up in the two days of private meetings. Business executives complained that some African investment promotion agencies allowed proposals to gather dust for months before considering them. It was true that investment returns to Africa were high, but the "hassle corruption sometimes made them long for Letin America 10 per cent this year.



eastern Europe. African states such as Malawi spoke about openness but then made it extraordinarily difficult for foreign investors to obtain work permits for expatriate staff. Zambia was stalling on the privatisation of its lossmaking copper mines. Zimbabwe under Robert Mugabe was corrupt, undemocratic and wavering in its commitment to economic restructur-

Only President Joaquim Chissano of Mosambique won unanimous praise for his consistent approach to factor" of bureaucracy and reform; the economy is expected to grow by nearly

But while presidents and economists, including Mr Sachs, called for the cancellation of onerous foreign debts, there was disagreement about whether African governments should be required to commit themselves to further reform in exchange for debt write-offs.

"I'm a little perturbed about the populist groundswell that some of the politicians raised," said Nico Czypionka, group economist of South Africa's Standard some of them had arrived in expensive private jets with large entourages. Govern-

but they needed "to make absolutely sure that the negative and squandering actions of the past are not going to be repeated in the

Almost everyone at the summit agreed on two things: that Africa had a rare opportunity to prosper, and that its leaders needed to take immediate action to entrench reform if they were not to lose that opportunity "The solution to this problem must come overwhelm-Bank, pointing out that ingly at this point from within Africa," said Mr Sachs. It is a mes might say, that Africa has ments might be right to ask heard, and ignored, several



World leader in Environmental Services and one of the major European leaders in Communication and Construction, Vivendi employs 220,000 people in 90 countries. Its turnover is close to \$35bn and its net income is expected to exceed \$i.ibn in 1998. Vivendi's market capitalisation

is close to \$30bn (mid 1998). Vivendi is part of the DJ Euro Stoxx 50.

In Europe too, Vivendi's activities are every day helping to improve the quality of life for millions of people and the company has annual sales here of more than \$30bn.

Through Vivendi and its subsidiary Compagnie Générale des Eaux, more than 35 million Europeans have the benefit of our water and waste-water facilities. With their services geared to quality and convenience, our teams are active in France, the UK, Spain, Italy and Central Europe in particular.

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France's finance minister, Dominique Strauss-Kahn, vesterday called the US-European Union agreement resolving the dispute over the US extra-territorial trade laws a "step forward" - but warned that France would remain vigilant on the

Mr Strauss-Kahn distanced himself from earlier reported comments by French officials at Geneva's meeting of ministers at the World Trade which Organisation suggested the deal was unacceptable and that France would oppose it at a foreign ministers' meeting next

The deal on US sanctions laws on companies investing

This is not the end of the story. But this is

progress' in Cuba, iran and Libya was

reached at Monday's EU-US summit after intensive lastminute negotiations. But it must be approved unani-mously by EU ministers, while US President Bill Clinton must persuade Congress to amend sanctions laws to are not affected.

Speaking in Brussels, Mr Strauss-Kahn made clear France could live with the deal, though it was not completely happy with all its elements. He welcomed the US agreement to lift the threat of sanctions on Total, the French oil company which is involved in a \$2bn gas project in Iran. But he added this was essentially an "internal" US decision.

The French authorities have already considered, as has the EU itself, that Amer-

He also welcomed the agreement in principle on protection of investments. but warned France would was followed, and that all extra-territorial or retroactive laws adopted by the US

tries, in line with interna-

"There is not complete happiness; this is not the end of the story," said one French official. "But this is progress. We will not reject

The French finance minister also welcomed Monday's agreed text on strengthening EU-US trading links, stressing that it stopped well short of the "New Transatlantic Marketplace" (NTM) proposals adopted by the European Commission in March. France vehemently opposed those plans, blocking their discussion at the summit.

France notes with satisfaction that the Commission's initial approach has been abandoned in favour of a gradual and pragmatic approach, based on a broad dialogue between businesse and civil society," Mr Strauss-Kahn said.

French officials are privately concerned that resolution of the dispute over extra-territorial laws could be seized on by Sir Leon Brittan, EU trade commisrelaunch his NTM initiative.

They fear sensitive subjects such as agriculture and audiovisual services could not be kept out of such talks ~ despite assurances to the contrary from the European

Mr Strauss-Kahn insisted that the NTM's central elements - a transatiantic free trade area in services and removal of industrial tariffs - had been "abandoned", with priority given to multilateral rather than bilateral

President Clinton's call for the launch of new global trade talks in the US next year, and for the World Trade Organisation to be more sensitive to environmental, social and consumer concerns, met a mixed reaction yesterday from other WTO members and environment and labour groups.

Sir Leon Brittan, European trade commissioner, who first launched the cam-

Members of the World Trade

Organisation last night

agreed not to impose cus-

toms duties on international

electronic transactions and

mend how they should deal

with the development of

electronic commerce on the

Governments hacked a

draft declaration calling for a study of "all trade-

related issues relating to

global electronic commerce'

to be completed in time for

the WTO's next ministerial

internet

to establish a comprehensive

round of trade negotiations, sensitive issue for Europe said he was encouraged by the apparent shift in the US

"I regard this as a step forward. It is a substantial step towards US commitment to a round," Sir Leon said. The US has previously

favoured sectoral negotiations and has shied away from a comprehensive round, fearing that could force negotiations in all areas to move at the pace of the slowest ~ most likely to

In a speech to the WTO yesterday, President Fidel Castro of Cuba angely condemned as "confusing, contradictory and threatening

Pact on electronic commerce

meeting late next year, sought only from a small

However, developing coun-

tries appear to have been

satisfied by assurances in

the draft that the planned

study would take into

account their special eco-

nomic, financial and devel-

opment needs, and that any

decision on the work pro-

gramme beyond the next

ministerial meeting would

night that the wording of the

declaration meant that it

would cover issues such as

data protection and privacy,

EU officials claimed last

be taken by consensus.

as Brussels wants.

The US, with European

Union support, has been

pressing other WTO mem-

bers hard to commit them-

selves to keeping electronic

transmissions duty-free.

lines for the development of

electronic commerce. How-

ever, they initially faced

indifference or resistance

from many developing coun-

The US doubted until

recently whether all the

WTO's 132 members would

be prepared to go along with

the proposals, and suggested

that approval should be

and for action to set guide-

paign for a millennium be agriculture which is a yesterday that the US had and Japan. President Clinton, in his

eech on Monday to the WTO, said governments needed to consider new ways of negotiating. "We should explore whether there is a without waiting for every issue in every sector to be resolved before any issue in any sector is resolved," he

Charlene Barshefsky, US trade representative, said

neither endorsed a compre- als on-making the WTO. ensive trade round nor sec- more open to environmental. tor-by-sector negotiations labour and consumer views, but wanted all options examined before ministers meet late next year in the US.

The Uruguay Round agreements require negotiations services by the year 2000 but many western governments want other subjects added to the agenda including industrial tariffs, intellectual. property, investment and competition policy.

Tim Fischer, Australia's trade minister, said the WTO m could be derailed by the addition of too many non-trade issues. Indian diplomats said trade ministers had already rejected a trade-

meeting in Singapore in 1998 and the subject was closed. On the environment the WWF-Worldwide Fund for echoed yesterday by Presi-Nature praised Mr Clinton's dent Nelson Mandela of initiative, especially for South Africa and Britain's prime minister Tony Blair. more transparency in the were welcomed enthusiastically by trade union groups.

dispute settlement process. But US environmental leaders said results, not rhetoric, would determine whether the Clinton administration would secure the authority it is expected to

TARIFFS CALL FOR REDUCTION

Blair in trade plea for third world nations

International efforts to improve protection of the environment and uphold core labour standards must not lead to trade barriers against developing countries' exports, Tony Blair, Britain's prime minister, said yesterday.

He told a ministerial meeting of the World Trade Organisation in Geneva that protecting the environment was "perhaps the major challenge we face as we head towards the next century", and should be reflected in all overnment policies, including trade.

But "trade rules should not be used to impose unfair standards on developing countries, nor to discriminate against their exports." Efforts to promote labour standards should centre on the International Labour Organisation and should not

become a barrier to trade. The trend towards free trade had become irreversible, and the biggest task facing the WTO was to ensure its benefits were widely

Mr Blair urged WTO members to reduce to zero tariffs

ting aside \$10m to help the poorest countries adjust to integration with the global economy, he added.

Economic and changes caused by technology and globalisation left many people feeling powerless and insecure. The choice lay between resisting change, or acting together to ensure people were equipped

'Governments must resist protectionist pressures'

to handle it effectively. "Resistance is easy to demands, but won't work and will spoil the good glohalisation can bring.

"Laissez-faire will leave us divided and bitter. Working together to maximise the good and minimise the bad is the only realistic option." Governments must resist protectionist pressures and extend trade liberalisation, but not at any cost. They must also maximise benefit: on exports from developing of electronic commerce.

ican laws could not affect trade negotiations. **Nervous** system

By Jenay Luesby in London

top sales

drugs

The growth in worldwide sales of central nervous system drugs, mainly antidepressants, outstripped all ures published today by IMS ary 1998. Sales climbed by 13 world's largest therapeutic

the US, UK, Spain and rose by 7 per cent and 4 per Mexico, sales of these braincent to \$35.4bn and \$29.2bn. affecting drugs grew by \$2bn largest drugs markets.

Sar	US	-Japan	Garpeny	Pageon	italy	ÜK	Brazil	Speaks -	Canada	Argunion -	· Meda	- PENNEZ
Cardonacaia	12,798	7,485	3,636	3,594	1,953	1,516	1,406	1,193	1,814	466	- 236	653
Alimentary/Metabolism	14,950	6,817	2,362	2,651	1,299	1,451	1,188	776	E37	- 216	551	484
Central Herrora System	13,954	2,533	1,743	1,883	156	1,257	657	,725	711	45	357	561
Anti-Indectives	9,862	4,822	1,246	1,530	1,146	405	770	- 518	297	407	817	205
Fespicatory	6,854	2,632	1,395	1,219	982	1,138	· 72	500	- 367	296	. 394	354
Genito-uninary	4,543	842	877	772	494	494	994	188	225	224	191	121
Munculo-ekaletsi	2,502	2,830	865	552	477	402	517	245	175	Z15 .	201	:77
Others	10,188	13,626	2,458	1,778	1,550	1,035	1,145	785	686	584	(82)	407
Total	66,012	40,996	14/83	13,418	4,498	7,762	6,837	1,891	4,136	2,345	5,663	2,00
% Change"	11	-2	. 3	2	5	7	5.	11	12	. 4		

categories, cardiovascular Driven by sharp rises in and alimentary drugs, sales

Regionally, the growth of prescription sales remained to \$25.5bn in the world's 13 constant at 11 per cent in the world's most important Meanwhile, the overall drugs market, the US. Howvalue of prescription drug ever, in Europe, growth sales in these 13 countries accelerated in Germany, the grew by 6 per cent to region's largest drugs mar-\$178.1bn, according to fig- ket, and in Spain.

other types of prescription Health the healthcare infor-rapidly expanding drugs tives, mainly HIV products, Europe's OTC sector contin-drugs in the year to Februmation company. In the market as a result of the and anti-depressants. country's ageing population - the elderly account for 74 per cent of Spain's drugs bill. Prescription drug sales in the country rose by 11 per cent in the 12 months to Feb-

in Germany, the annual rate of growth climbed from 2 per cent to 3 per cent between January and February, despite efforts to clamp down on healthcare budgets. drugs caused by the replace—decline of around \$
Most of the growth came in ment of some prescribed OTC sales in Europe.

According to IMS, pre-

scriptions in Germany have fallen by 6.4 per cent since 1992 in volume terms. However, in value terms they have increased by 10 per portion of the remaining prescriptions moving to more expensive products.

Moreover, despite the boost to over-the-counter

Spain is Europe's most prescriptions for anti-infec- drugs with self-medication, overcapacity, says IMS. producing OTC drugs in Europe, but just 286, or 6.5. per cent of them, account for 70 per cent of sales.

Since 1994, annual growth rates in the sector bave declined each year. But the fall was particularly sharp last year, when a poor cough and cold market led to a decline of around \$70m in

US warns New Zealand over parallel imports

Severe consequences' threatened and special review instituted after parliament votes to remove import restrictions

name goods without a fran-

But the US, which believes

these matters should not be subject to government regu-

them excluded from the

On Monday, nine develop-

ing countries led by Pakis-tan and India blocked quick

agreement on a modified US

proposal in spite of a tail

from President Bill Clinton

We cannot allow discrimi-

natory barriers to strint the

development of the most

promising new economic

Clinton told the WTO gath-

ering on Monday.

for support.

New Zealand has become the first country in the Organisation for Economic Co-operation and Development to open its market to parallel imports, after parliament voted at the weekend immediately to lift the ban. The vote followed the govthe measure in the national budget late last week. Charlene Barshefsky, US

trade representative, had convened an immediate special review of Wellington's decision, said Josiah Beeman, US ambassador to New Zealand. Mr Beeman this week publicly condemned New Zealand's action and warned "severe conse-quences" of the move that would go "far beyond the New Zealand market".

New Zealand's decision is particularly sensitive for US car, pharmaceutical and CD manufacturers, which claim large market shares through exclusive marketing deals in the country. However, Mr Beeman said

the issue was not a bilateral

matter. "Rather, it is a precedent-setting action by an OECD nation that could have an adverse impact on affairs: "We will not be told foint statement. how to run our country."

Some domestic business groups have warned the has been blocked in parliamove could trigger a flood of cheap imports and under- sition parties. The deadlock mine investment and intel- revolves around claims by lectual property rights in the the recording industry and country. But the government artists that the removal of insisted that removing the restrictions would flood Austhrough exclusive franchise

Selviol 20

networks. At the same time, "a ringing endorsement" of the government would the government's determina-The US has threatened right holders' rights through action against New Zealand stiffer penalties for imports CDs." for its abrupt move to of pirated goods, said John

emove restrictions on paral. Luxton, commerce minister. lel imports - allowing Consumer groups, import-importers to bring in brand ers and retailers welcomed the move and the Manufacturers' Federation said the "advantages would outweigh the drawbacks" as manufacturers would be able to buy cheaper machinery and

The Australian government, which has been fighting a similar battle in parlia-



Jermy Shipley: told US to stop

import restrictions on CDs. hailed New Zealand's decision. "The NZ decision was taken in support of a more open and competitive econoverall world trade," he said. omy and in the interests of In a sharp response to US consumers and local busi- Zealand," said David Cumprotests, Jenny Shipley, New nesses," Daryl Williams, Zealand prime minister, Australian attorney-general, warned the US to stop inter- and Richard Alston, commufering in New Zealand nications minister, said in a

ment's upper house by oppo-

were sporious, and provided marketplace.

tion to ensure "all Austral-

Maion rises 1

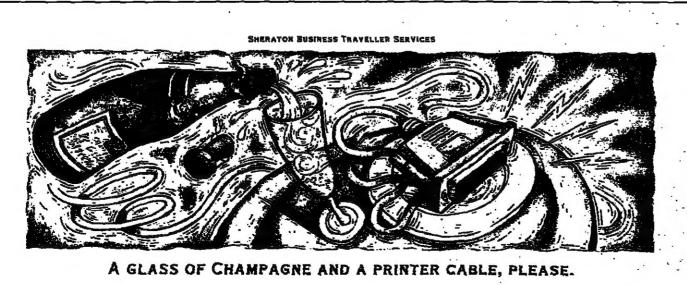
latime in six

Political analysts said the parallel importing decision was motivated by a push to deregulate the motor vehicle industry, and was hastily introduced to accompany a decision to abolish vehicle tariffs of 22.5 per cent.

A five-year scheme to phase out vehicle tariffs. which initially stood at 35 per cent, was introduced by the coalition when it gained power two years ago. At the same time, the government facilitated tariff-exempt imports of used cars, which grew rapidly last year to make NZ the world's largest market for Japanese usedvehicle exports. Also in 1997. the government decided to accelerate the schedule for phasing out new vehicle tariffs to 2000. But New Zealand's vehicle

mporters and assemblers. including Toyota, Nissan and Chrysler, were still able to use provisions of the country's copyright legislation to block imports of nearly-new cars. The end of parallel-import restrictions has ended that right. Motor industry executives warned this week the move would. undermine confidence among foreign investors.
"By legislating the subtions, the government has opened the market to every man and his dog to dump anything they want in New ming. Chrysler Jeep's New Zealand general manager "In a wider context, the decision will lead people to question their investments in the The Australian govern- country if people can sell ment's proposed legislation anything they like off the back of a truck."

New Zealand-based car. makers and importers have launched a campaign to protest against the government's decision, claiming the legislation would undermine intellectual property rights and remove manufac-



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no. 90808-3253535 or visit www.sheraton.com. Or to know more about AT&T, see

ban would benefit consum- tralia with counterfeit CDs. ers through lower prices and . The Australian governwider availability of goods, ment said New Zealand's inters' rights to control the which are currently limited move showed such claims image of their brands in the er trade

Conservative leader heaps scorn on euro

William Hague, leader of the opposition Conservative party, yesterday re-ignited his party's long feud over Europe, when he delivered the most Eurosceptic speech by a leader of his party since

Margaret Thatcher. Mr Hague, speaking in Fontainebleau, France, warned against further European integration, claiming it could lead to the kind of violent, popular revolts

seen recently in Asia. He argued that the single currency could herald a political union, with tax and public spending decisions taken centrally in Brussels. "I fear the European Union is in danger - in danger of accepting without debate a political destination agreed

business school infuriated pro-European members of his party, who said it painted a bleak and false picture of an integrated Europe. Kenneth Clarke, who was

chancellor of the exchequer in John Major's government, accused his leader of becoming "over-excited about inevitable continental integration." If Conservatives could not reunite over Europe, "we aren't going to win any elections, we aren't going to come back from opposition."

40 years ago," he said.

His speech to the INSEAD merly Mr Major's deputy prime minister, said Mr Hague had made "a speech without an andience, which In the most striking secwill be greeted by others in tion of his speech, Mr Hague Europe with an incredulous claimed that a centralised shrug of the shoulders." EU would be undemocratic.

Mr Hague, a former and could provoke a rise of INSEAD student, insisted his the extreme right and popugeneration had an obligation lar unrest. "In Asia those to map an alternative vision countries that have had the of Europe's future. He most violent reactions to the stressed the need to enlarge financial crisis have been the EU to the east, without those countries that do not requiring new members to have the safety valve of demjoin the single currency or to ocratic elections," he said. become part of a deeper "How will the peoples of Europe react to a recession political union. "The nation state is not an outmoded without the electoral means concept, but is the best for true democracy," he said. of changing the people responsible?

Mr Hague has promised to fight the next election with a pledge not to take the UK into a single currency in the

But yesterday he said he could never take Britain into the euro if the single currency led to a centralised tax regime. He added: "The sin-One could find oneself trapped in the economic equivalent of a burning

building with no exits." Earlier Mr Hague met French president Jacques Chirac, with whom he had what aides described as "a

Tony Blair issues trade plea for N Ireland

By John Merray Brown and David Wighton

Tony Blair, the UK prime minister, last night urged world leaders to support the settlement in Northern Ireland by increasing the flow of investment into the

As the tempo stepped up

people will have spoken," he

indeed," he said.

special rock concert. Mr Blair is expected to travel to Belfast today with William Hagne, leader of the opposition Conservative party, following the visit yesterday of Paddy Ashdown, the leader of the UK's pro-European Liberal Democrat

party.

official spokesman. Mr Trimble said the Yes camp had had "our wobbly patch; we're over that and the goal is in sight". He welcomed the decision of Jeffrey Donaldson, one of his 10 MPs, to support the party during the election campaign for the assembly even though Mr Donaldson

deal in the referendum. Mr Donaldson insisted that his rejection of the deal was not an attempt to oust Mr Trimble. "It is not about personal ambition," he said.

robust exchange of views". Editorial Comment, Page 13

ahead of Friday's referendums in both parts of Ireland on the multi-party agreement, Mr Blair used the opportunity of the world trade summit in Geneva to underline the case for a Yes vote, "This prospect may not in itself be a reason for voting Yes. The issues at stake are different. But it is a simple fact that more investment is likely to follow a Yes

Mr Blair, who will today travel to Belfast, the region's principal city, for what will be his third visit in as many weeks, had earlier pledged to clamp down strongly on tringe paramilitaries. "The hrish Government and ourselves will be in a far stronger position to take far tougher measures because

"My view is that if we get this agreement endorsed in the referendum...those splinter groups will find it very very difficult to operate

Meanwhile in Belfast last night, David Trimble, leader of the Ulster Unionists, the largest pro-British party, shared the stage with John Hume, leader of the moderate nationalist Social Democratic and Labour party, at a

Downing Street said there was little sign of "don't knows" going over to the No camp. "The No campaign doesn't have momentum, said the prime minister's

says he will vote against the

NEWS DIGEST

ıds

INWARD INVESTMENT

US healthcare offshoot to open \$50m factory

MediSense, a subsidiary of US healthcare group Abbott Laboratories, is to open a £30m (\$50m) factory near Witney, 100km west of London. The project will be south-east England's biggest inward investment since Pfizer announced plans for a research facility in Kent, to the east of London, last December.

MediSense, which already has a plant at Abingdon, about 25km from Witney, makes biosensors for systems that allow people with diabetes to monitor their blood glucose levels. The new plant will allow it to meet demand in the \$2bn world glucose testing market which is growing by 15 per cent a year. A 2500,000 investment by English Partnerships, the government's regeneration agency, to provide water and electricity services and access roads at the site, clinched the deal in the face of competition from the Republic of Ireland. Medi-Sense, based in Massachusetts, was acquired by Abbott two

PROGRAMMING FEES

Broadcaster to be paid \$6.7m

British Sky Broadcasting, the satellite broadcaster, yesterday scored a victory over Carlton Communications in the High Court in London. A judge ruled against Cariton for witholding a programming fee and ordered the company to pay BSkyB more than Σ4m (\$6.7m). When BSkyB was forced out of British Digital Broadcasting, a pay-TV group, Cariton and Gran-ada Group, oc-owners of BDB, agreed to pay £60m for BSkyB programming. Although Graneda paid its share of the fee, Carlton at first witheld the full £30m payment.

Last month, Cariton sent BSkyB a cheque for £25.5m plus value-added tax, but refused to pay the rest. The company argued that it would not pay the remainder because the regulator had prevented BDB taking extra channels from BSkyB. However, a judge yesterday overturned Carlton's case and did not grant leave to appeal. A Carlton executive said: "There was a genuine problem with interpreting this complicated matter, which is why it went to court."

 BDB announced yesterday that Canal Plus, the French pay-TV group, would manage its Interactive applications. BDB selected Canal Plus' Mediahighway technology. The company has already chosen a conditional access system, needed to unscramble digital signals, from Seca, a joint venture between Canal Plus and Bertelsmann. Cathy Newman, London

TRADE UNION RECOGNITION

Split by leaders likely

A split is expected at today's meeting of senior trade union leaders at the Trades Union Congress over the government's plen to introduce trade union recognition with an insistence on a requirement that 40 per cent of employees in an acreed bargaining unit must support it. The proposal will be in a govemment policy paper expected tomorrow.

Ken Jackson, general secretary of the AEEU engineering workers' union, intends to urge support for the government. However, the general secretaries of Britain's three largest unions have expressed their opposition to the 40 percent threshold and announced they intend to campaign within the TUC against the move. Bill Morris, general secretary of the TGWU general union has denounced the proposal as "unworkable". John Edmonds, the GMB union's general secretary, has also voiced his anger at the 40 per cent threshold Rodney Bickerstaffe, general secretary of Unison, said he disliked the government proposal.

John Monks, the TUC general secretary, will attempt to reconcile his colleagues. Although accepting the 40 per cent threshold is much too high to ensure trade unions can secure widespread recognition agreements, he believes that the government's package goes a long way to meet TUC concerns about workplace fairness. Robert Taylor, London

ELECTRICITY INDUSTRY

Regulator backs complaints

Customer complaints that power generators have used their market power to maintain higher electricity prices appeared to be supported yesterday by the industry regulator.

Peter Carter, deputy director-general of the Offer regulatory unit, said the fossil-fuel generators had chosen to maintain wholesale prices at the expense of losing market share to independent gas-fired stations and nuclear power.

Mr Carter told a conference organised by the Confederation of UK Coal Producers: "It would have been possible for coalfired generators to bid into the pool ithe wholesale market? and offer contracts at prices which made entry by new gas operators less attractive. They did not do so. They may have calculated that it was more profitable for them to maintain

prices than to compete more aggressively for market share." Electricity customers complain that the largest coal and gas burning generators. National Power, PowerGen and Eastern Group, have used their market power to prevent deeper electricity price cuts, Andrew Taylor, London

CONTRACTS & TENDERS

INVITATION FOR BIDS FOR THE SUPPLY OF EQUIPMENT 1FB Nº: T31-ICB-03

1. The Government of Republic of Turkey has received a loan (Loan No.3541A-TU) from the International Bank for Reconstruction and Development (IBRD) in various currencies towards the cost of Employment & Training Project. It is intended that part of the proceeds of this loan will be applied to eligible payments under the contract for supply of equipment.

The Turkish Employment Organisation now invites sealed bids from cligible bidders for the supply of:

1) 35 Photocopy Machines 33 Overhead Projectors

4) 140 Electronic Calculators 8) 91 Steel Libraries

6) 400 Steel Shelves 7) 33 White Boards

5) 164 File Cabinets

914

溫

. Interested eligible bidders may obtain further information from and inspect the bidding documents at the office of:

General Directorate of the Turkish Employment Organisation (Is ve Isci Bulma Kunamu Genel Müdürügü) Employment & Training Project, Project Co-ordination Unit. Atatirk Bulvari No. 133, Kat 7, 06640 Bakanliklar/Ankara Tel: (312) 425 70 84 Fax: (312) 418 17 32

4. A complete set of bidding documents may be purchased on the submission of a written application to the above address and upon payment of a non-refundable fee of US\$\$0 or equivalent Turkish Lira. The fee will be paid to Ziraat Bankasi Ankara Bireysel Bankacilik Subesi (Sube kodu 1133, Ataulek Bulvari No:111 Bakantiklar 06640-Ankara, Tel: 0312 418 07 74, Fax: 0312 425 37 86) Is ve laci Bulma Kurumu Account No. 302359. The original receipt for this payment will be presented to the Project Co-ordination Unit when the bidding

. The provisions in the Instructions to Bidders and in the General Conditions of Contract are the provisions of the World Bank Standard Bidding Documents; Procurement of Goods,

. Bids must be delivered to the above office on or before 12:00 hours on 6 July 1998 and must be accompanied by a security of 2% amount in the currency of the bid or in another freely convenible currency in the form of a bank guarantee or an irrevocable letter of credit issued by a reputable bank located in the purchaser's country or abroad.

7. Bids will be opened in the presence of bidders' representatives who choose to attend at 14:00 hours on 06 July 1998 at the above address.

Japan's image of UK puts gardens above technology

'Cool Britannia' still has to contend with dated perceptions, reports Bethan **Hutton** from Tokyo

hen the Emperor of Japan visits London later this month, millions of Japanese will be deeply envious. Not because the emperor will be in the world's "coolest" city, with all the latest in food, fashion, and music at his feet, but because he may be allowed a privileged glimpse of Buck-

ingham Palace gardens. Britain has a very strong brand image in Japan, but one set firmly in the past. Just ask any taxi driver: London is a fog-bound city, little changed from the days of Sherlock Holmes; every English lady sits down daily to afternoon tea and scones on Noral-patterned china; and English gentlemen invariably buy their suits

from Savile Row. These traditional perceptions can work to the UK's advantage. Export sales of Liberty and Laura Ashley goods, Fortnum and Mason not have been so high with- in London, an exhibition reshape a few square metres. David Quarmby, chairman too hard to push a modern out them. British also bene- from the Science Museum, a of balcony in the style of an of the British Tourist image, admirers of tradifits from the coachloads of British Lifestyle exhibition, English cottage garden. A Japanese tourists wanting to fashion shows and science recent event at the British visit to Japan that the idea off. Already, word is spreadeat roast beef, drink tea and seminars.

But recently there has been a growing feeling that perhaps Britain's image has relied too heavily on the traditional to the detriment of industries offering modern design and high technology products.

The rebranding of Britain was under way in Japan long before the Labour government launched its "Cool Britannia" initiative. Current efforts to promote Britain can be traced back to the last UK ambassador to Japan and the UK-Japan interparliamentary group -all distinctly "old Britain" from the days of John Major, the Conservative prime minster whose government was

Labour party last year. For the whole of this year, the Japanese are being bombarded with information and images of Britain as part of Festival UK98. Although the festival includes plenty of Victorian art, and the usual department store tea and teddy bear promotions, it also aims to promote Britain include a display of master-



ousted by Tony. Blair's A Chebses Pensioner - one of a special group of retired British army vetarans - was one of the first of rands of gardening enthusiasts at London's Chalses Flower show. Thousands of visitors are

publicity campaigns. While The Full Monty played to packed audiences, and Paul Smith suits are selling well, the hottest British export in Japan at the moment is tra-

ditional British gardening. Stores are devoting whole as a source of advanced sci- floors to displays of seed ence, technology and design. packets; trowels and terra-Centrepieces of the festival cotta planters. Television programmes and magazine es from the Tate Gallery articles demonstrate how to

creating hanging baskets, has sponsored the publicadrew crowds of people taking detailed notes

Authority last year published themed tourist maps of the UK showing popular film locations or sites associthe one most in demand in Japan has been the guide to British country house

embassy in Tokyo, when of "old meets new" was the ing in Japan that some of visit Beatrix Potter's cottage - But Japanese tastes do not British gardening experts theme for the BTA in Japan. the gardens of New Zealand

tion of Channel London, a magazine aimed at teens and The British Tourist twenties, which shows the bits of the capital and its lifestyle that most Japanese tour groups never see. Virgin Atlantic, with its ated with pop groups. But younger, cooler image, carries planeloads of young Jananese to London.

The concern in some quarters is that if Britain tries Authority, said on a recent tional Britain could be put

always-move in concert with explained the finer points of The BTA's office in Japan are just as charming. Inflation rises to 4% for | Competition bill is attacked

By David Wighton, Political Correspondent

England, the UK central bank, fears that companies might accede to big pay demands, because of the tight labour market. Marks & Spencer, the

inflation if employees secure

chancellor of the exchequer,

party is to propose an amendment that would give automatic protection to all existing agreements.

tion bill would outlaw newspaper industry agreements such as recommended cover prices and sale-or-return arrangements. He refused to say whether the industry would be affected by its proposed crackdown on anticompetitive practices. John Redwood, the Con-

industry secretary, said business needed to know which agreements would be illegal because under the proposed legislation companies could face large retrospective fines for behaviour deemed anticompetitive. He said that amendments to the bill.

The government was try agreements in 1993 there attacked yesterday over its was no guarantee they competition bill, and the would be allowed under the opposition Conservative new legislation.

Ian McCartney, the industry minister, was challenged to say whether the competi-

while the Monopolies and Mergers Commission had cleared the newspaper indus-

The government said it was up to the director general of fair trading and not ministers to make such decisions. Officials pointed out that the director general was consulting on transitional arrangements for existing agreements.

Mr Redwood said business was only now waking up to the implications of the bill. which was initially given a broad welcome by the Confederation of British Indus-

try. The Newspaper Publishers servative party's shadow Association, which represents the national titles, is broadly supportive of the bill but has a number of specific worries, including a threat to advertising self-regulation. The CBI has recently called for a number of

first time in six years CK inflation Theodhe' rate famical % charge in PTI-By Robert Chote, Economics Editor

ports

Inflation hit 4 per cent for the first time for almost six years last month, threatening further upward pressure on pay settlements The decisions in the Budget in March to cut tax relief on mortgage interest pay-

But excluding indirect taxes and mortgage interest payments, inflation rose only from 2.1 to 2.2 per cent. Separate figures showed that the government spent 13.4bn (\$5.6bn) less than it raised in taxes last month, in part because of income tax on hig bonuses. The debt repayment underlined the recent sharp improvement in the public finances, but also

than other official statistics Underlying inflation -

cabinet rank to one of his most influential

here has been reshuffle said a senior minister.

colleagues, Robert Peston writes

fever almost from the

I moment the government

was elected fust over a year

ago. Obsession among parlia-

mentarians and among the

media with Tony Blair's first

nunisterial overhaul is possi-

bly excessive because few

cabinet members have been

disastrous performers and

the number of senior casual-

ministers, "What you will be

able to see is who will make

it into the cabinet in two

It should, however, be sig-

nificant at the level of junior likely date".

tres will be limited.

begin to unwind in July. suggested that economic activity may be more robust

ments and bring forward 1902 90 94 95 96 37 98 . increases in fuel duties pushed inflation up by half a percentage point in April. gage interest payments -April, taking it further above the government's 2.5 per

slightly more likely. The tax £80m giving its staff pay increases are supposed to rises of between 4 and 5.25 squeeze domestic spending per cent, plus another £50m and reduce inflationary pres- in profit-related bonuses.

There could also be a mod-

est structural reform

because the employment-

portfolio may be given cabi-

net status to replace trans-

port. The prime minister has

been on the verge of reconfi-

guring his team twice: in

November 1997 and April

1998. A minister said there

was "a chance" that it would

now take place next week;

although July was "a more

cent target. The Treasury said the increase was in line with its Budget forecast and that the tax effect would Financial markets concluded that the figures made

which excludes only mort- to protect their living stanrose from 2.6 to 3 per cent in and prices, compared with

another rise in interest rates

bigger pay rises to compensate and employers pass the cost on to their customers. "I don't want another bout of wage inflation in the UK and I think everyone has responsibilities to play in this respect," Gordon Brown,

said. "Nobody is going to be complacent about inflation". Employees would have needed a 4.1 per cent pay increase in the year to April dards against higher taxes only 26 per cent in the year to March. The Bank of

retailer, announced yesterday that it would spend

served only a brief fronthis friends. Mr Mandelson's elevation

ment member. "I can't see him surviving that." would also lead to the transport post dropping to noncabinet status - and the years time and who will be distributed by departments, The current downgraded job may be

dominoes, Helen Liddell, eco- he was against this.

ousted by Alistair Darling.

an outside possibility - but The prime minister may wish to make good his pre-

ministries. This position could be filled by the current incumbent, Andrew Smith, or by Ian McCartney, the trade and industry minister, or even by Ms Harman. "Smith unsung heroes of the junior senior supporters. "They are

replacement for him at a and McCartney are the two government's long term re- ranks" said one of their priorities would be difficult. never mentioned as cabinet

material but I would not rule

After a year in power, Blair prepares to reshuffle ministers influential minister without David Clark, has been abrasive junior Scottish en's issues minister, is also portfolio. Mr Mandelson is braced for backbench exile minister. Main aim of premier's overhaul is to give

bench apprenticeship in opposition - he was left out of Tony Blair's first cabinet. So the primary purpose of an imminent shuffle would be to give Mr Mandelson the cabinet rank to match his powerful role as co-ordinator

one of the three or four most

influential members of the

making him chancellor of the Duchy of Lancaster. As titular head of a reformed The catalyst of the specu- Cabinet Office he would lation is the "Mandelson have an enhanced licence to anomaly" or the supposedly forge common purpose for unsustainable position of competing ministerial

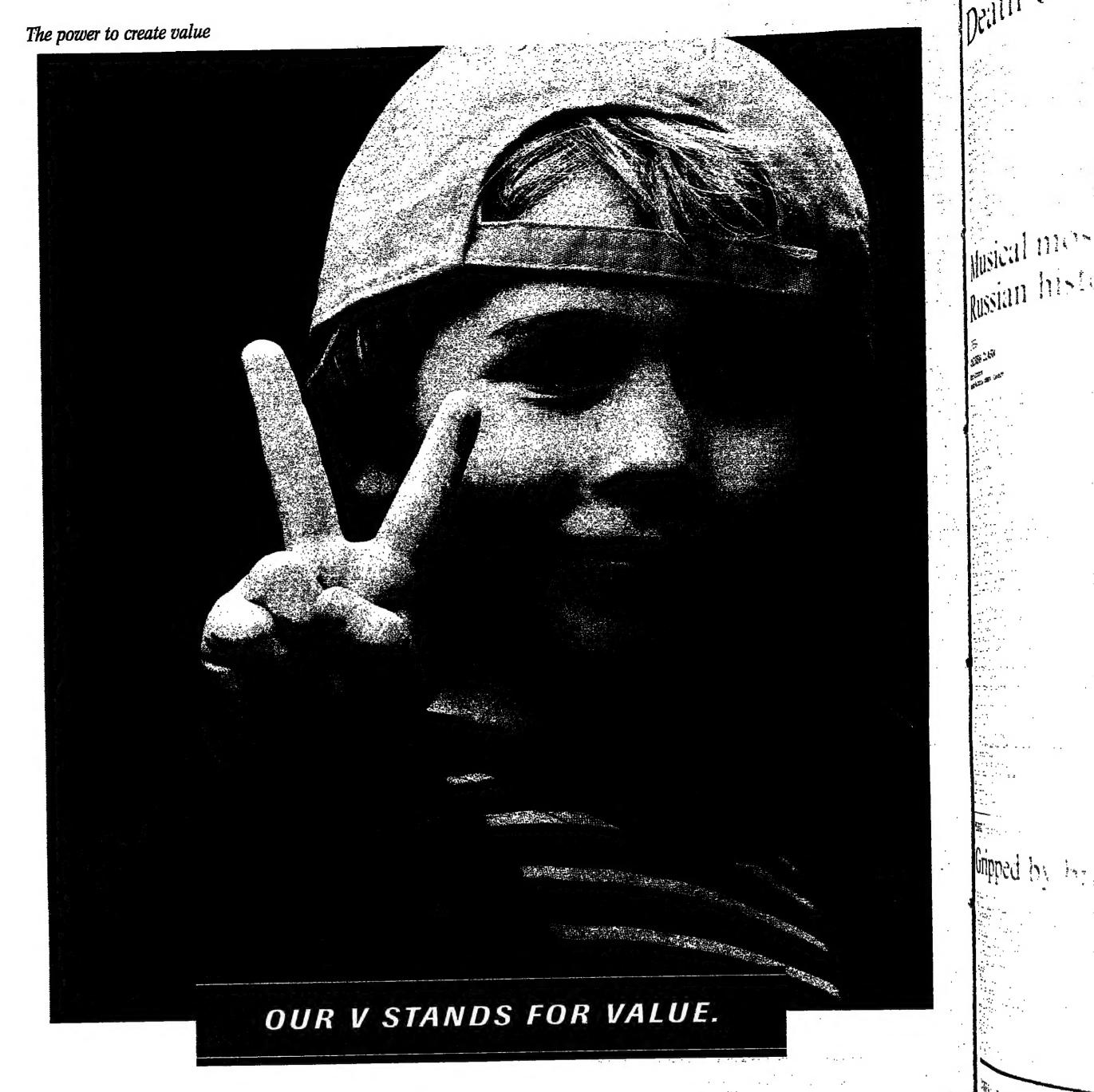
for some time. "Many of us think it unfair, but really the last rites have already been nomic secretary to the Treasaid over David," said one of sury and the minister at the

ministerial living dead is would move to replace Mr Gavin Strang, the cabinet- Wilson in Scotland as probawho was an agriculture minister in the Labour governments of the 1970s. "Gavin has fallen out with his boss Harriet Harman, the social John Prescott, deputy prime security secretary, will be will probably be achieved by minister and chief transport minister]" said a govern- the Treasury chief secretary

In this game of tumbling an adviser to Mr Blair said

forefront of clearing up the election promise to upgrade A second member of the pensions mis-selling affair, the employment portfolio to a cabinet job, thereby signalling that the education and ranked transport secretary ble apprenticeship for employment department is one of his top-ranking becoming chief minister for Scotland next year. There is also a chance that

although finding the right Mr Strang's departure crucial juncture in the ordering of public spending The creation of a cabinet at the torestront of the next rettribute and chancellor of the Duchy, filled by Brian Wilson, the post for Ms Harman, of wom-



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Death of the Subject

Arthur Miller is 82 and shows no signs of slowing down. During the past decade the dramatist has been more fecund than at any time since the 1950s, producing interesting plays (The Ride Down Mount Morgan, The Last Yankees, Broken Glass) adept screenplays, (*Everybody Wins, The* Crucible) and the kind of overall feel-good vibes that have made universities, drama groups and human rights organisations around the world seek out his participation. In America, where his work, derided for its preachiness and moral condescension. started falling out of critical favour at least 30 years ago, plays other than Death of a Salesm ian and The Crucible are receiving high-profile productions.

Miller has adhered to his lifelong role as one of the theatre's premier investigators of the relationship between the individual and society, an exploration that makes his new play, Mr Peters' Connections, at first something of a puzzlement. Unlike the action in his best known dramas, where public issues are unmistakeably embedded in private lives, the events here are primarily internal ones. involving memory, desire, and the nature of discourse.

The question that haunts the title character, Harry Peter (Peter Falk), a retired Pan Am pilot, is: "What is the subject?" He looks around at a world in which one's personal landscape

wonders most of the time what the hell people are talking about. Miller's 90-minute exploration of the question of subject at times resembles a Beckett monologue; but the playwright is too interested in the nature of human conversation to dispense with human foils for his protagonist.

Peters has come to visit a run-down city building, an edifice whose history carries an implicit critique of the drift of American culture; formerly a library for the working classes and then a cafeteria hot-bed of Marxism, it is now an abandoned nightchub. The old man is waiting for his interior-designer wife (Anne Jackson) but as he pores over the interior's furnishings too many memories are triggered - particularly

from the 1940s, when he was a navy pilot in the war against Japan - for him to sit peaceably. Peters continually restates his

concern about the Death of the Subject to anyone who wanders in off the street, a group that includes a shop owner, a guitar-toting young composer, and the composer's pregnant friend. While his banter can be quite touching it more often sounds like the out-takes from a seminar in postmodernism. ("There is no subject anymore . . . it's ist talking.") Only occasionally does Miller express his theme in a way that is sufficiently moving or clever to shake Peters - or the audience - out of a torpor. "How like sex the trumpet is," he says ruefully when an old song erupts in his memory, it "always leaves you kind of sad when it's over." And, later, when a conversation has turned to religion, Falk, who gives a fine old-salt of a performance, comments: "God is precisely what is not there when you need Him."

Unfortunately, too little of the

dialogue here registers very resonantly. In view of its character-laden set-up, Mr Peters' Connections contains too much rumination, too little revelation. In it there is the occasional reminder of the author's past work, particularly the 1964 play, After the Fall, which also features a central character tortured by his past, as well as the glimmer of a kind of beautifully autumnal, thematically summing-up play that

Miller may one day create. If that is not the drama onstage now in New York, one can at least be grateful that the Signature Company which devotes each season to a single writer - is presenting the new piece so smoothly, under the direction of Garry

Brendan Lemon

Signature Theatre, Off-Broadway, New

Musical mosaic of Russian history

OPERA

ANDREW CLARK

Weish Mational Opera, Cardiff

There is nothing new in treating Borts Godunou as a parable of Russian history, but there is certainly something original about David Pountney's version for Welsh National Opera. This is the third Pushkin-inspired opera to be performed by a UK regional company in as many weeks, and it is easily the most impressive.

It would not take much to improve on Scottish Opera's Queen of Spades and Opera North's Onegin, but WNO's new Boris, unveiled at Cardiff's New Theatre at the weekend, has enough credibility to withstand more challenging comparisons. It is sympathetically cast and competently conducted, and the WNO chorus resounds in polyphonic splendour. What makes the evening special, however, is the intellectual integrity of Pountney's interpre-

promising start. This is Borts at its and ruled is a bhisprint for all time. crudest and most uncompromisingly WNO valiantly performs in a single Hoare was outstanding.

ern dress. It also seems a pity to per-form the opera in English, dampening the Slavic iconography of music and decor. But having patiently laid out the parameters of their approach, Pountney and his designers, Su Huntley and Donna Muir, follow it through with imagination.

time, with fragments of Russia's past. present and future forming a visual patchwork that is realistic in detail, abstract in overall impact. The stage is dominated by a wall of brutalist architecture, and populated by characters that would fit downtown Moscow today, such as a street-vendor (the innkeeper) and gun-toting security police. The boyers wear New Age gowns, and there's something squally futuristic about Boris's crown and steel-mesh throne, the latter doubling as a symbol of his psychological impris-

Meanwhile, the suffering of Russian people across the conturies is evoked by faces emblazoned on a blood-stained drop-cloth. The references are sufficiently allusive to keep us guessing By opting for Musorgaky's first ver- their meaning and context, but we are sion - much the most challenging of left in no doubt that Musorgaky's porthe various options - WNO makes a traft of the relationship between ruler

Pimen chronicles everthing as a neudirect. It means no Polish act, no trai observer. His presence, like an eye Kromy Forest finale, no songs for the of history, makes for some innecessar-Nurse and Fyodor, but WNO does By cramped settings. But what the prointerpolate the innkeeper's song from duction misses in variety and specta-the later version, a decision justified by cle, it makes up in theatrical flair mise the opera amounts to a mere two the confrontation between Tsar and and a quarter hours' music, which Simpleton, in the latter role, Peter

That does not mean it is always con-makes his presence amply felt. Not for tionary, flirting with the innkeeper one vincing. Until Pountney's ideas start to the first time, however, there's an air moment and escaping under cover of a take shape, the staging looks depress of detachment in his acting. During bomb the next it's a pity Deszak was



Susan Corton's gritty portrayal. In this above all in the naked truthfulness of Voice of teak, physique of a titar: Willard White as Boris, performed here in Muscrysky's challenging first version

react, and the death scene is melodramatic. The most exciting performance for his Grimes next year. sweep. The production sertical counts. With a voice of their and the physican from John Dassak who hums tion is unmistakable. Sique of a titan, Willard White's Boris Dmitri into an unset upudpus revolu-

stage on life - all of which a

There is surely something more odions about Shuisky than Neil Jenkins gives him, and Gwynne Howell's Pimen has seen better days, the smaller roles are well taken. Carlo Rizzi keeps the ingly artificial, and the guards' illiter. Pimen's narration about the won-confined to just the one scene, because music moving briskly, but seems relucacy in the inn scene fits fil with mod-der-working Dmittel. White take to he sans with sedim clarity and set the tant to vary the tempo and draw out

dynamic contrasts within phrases. He also makes little of Musorgaky's austere Russian timbres: I missed the cavernous resonances of the double-basses. the knife-edged woodwind.

Despite these reservations and an overall lack of fervour in the orchestral playing, this is a Boris which will make

audiences listen and think.

MUSIC THE BEAUVAIS CELLO FESTIVAL

Gripped by brave new works

a nice cathedral - begun in the 19th ... The thing about cellos is that they forms Brasileiras. Now there is a procentury, never quite finished (bits of it own not only a distinguished solo rep- fessional French "Octuor de Violonkept falling off and crushing other ertoire from the past four centuries, celles, closely aligned to the Beauvals bits), but it has the loftiest choir, and a but also the five-octave range to make . Rencontres, which persistently commisjunior cousin of Strasbourg's astronommajor ali-cello festival.

That is not because there is some thing funny in the Beauvais water-supply, but because Jacques Bernaert, a offer not only solo pieces, duets etc. but passionate, unstoppable cello-enthusiast, happens to live there. With him as artistic director, the sixth Rencontres d'Ensembles de Violoncelles de Beauvais concluded last week - simultaneously with Manchester's newer cello-festival.

up satisfying modern ensembles by sions brave new works for itself, also ical clock; and for a week every year, a themselves, from pungent basses to the 10-strong "Cellissime" ensemble major ali-cello festival.

themselves, from pungent basses to the 10-strong "Cellissime" ensemble ethereal treble flights. Neither violins, and the Amsterdam-based, Spanishviolas nor contrabasses can match leaning octet "Conjuncto Iberico", who them for that. Thus a cello festival can played in Beauvais before I arrived.

solid "small orchestra" music too, with- the Octuor gave premieres of music by out calling upon any other instruments Luciano Berio, Betsy Jolas, Kaija Saa-- though for variety Bezuvais some riaho and Georges Aperghis. All comtimes does, with excursions into jazz missioned for Beauvais, with the four and Portuguese fado too this year.

An hour or so northwest of Paris, Surely they should put their heads. Villa Lobos who developed their octst-Beauvais boasts a population of 55,000; together and agree to different dates? possibilities first, in two of his Bach-

In this sixth festival's closing concert composers all at hand; quite a coup, It was the Brazilian composer-cellist and rewardingly various. Between the chant in a vaguely apocalyptic way.

ensemble-works, the Finnish cellist Anssi Karttunen played aborter solo studies by Berio, Jokas and Sasriaho with scorching intensity.

He is among the most brilliantly creative cellists alive. No wonder Magnus Lindberg got away with accepting a commission for a new cello concerto next year while insisting that it should be for Karttunen instead of Yo-Yo Ma, the soloist of first choicel Here, the composers were as amazed, gripped and braced as the rest of us by what Karttunen made of their brief pieces. As for the octet: Aperghis's Totem

treated them as much theatrically as musically, as is his wont. There was lots of fory, and some hopelessly clotted sound. I find that both aspects tend to be coarse-grained in such pieces (i.e. the music doesn't tempt a second hearing), but the French like that sort of thing, in this case, brandishing hints and echoes of "ancient" dance and

Saariaho's Neiges, inspired by looking out of her window at a Finnish snowstorm, exploits many outre, icy textures toward a coolly serene close. Berio's sinuous Korot is a lyrical virtuoso piece, as expected: who could respond better than Berlo, when asked to write for eight intrepid cellos? He should have thought of it long ago.

Jolas (Franco-American, 73 this year) was struck by the idea that all cellos must somehow be siblings. Accordingly her Sonate à huit is a "family drama" with the basic music continually surfacing in different voices, accents and undertones. The dramatic plan seems scatty, moment by moment, but by the end everything draws together - softly, sparely, originally. Jolas is an original; I've heard no music so specifically feminine as hers, immune to the cliches of "feminist" orthodoxy.

David Murray

OPERA IN CONCERT

The Bonnie and Clyde of the circuit

Richard Fairman reviews opera's most wanted couple in 'La rondine'

The Royal Opera in London should be grateful for small mercies. Not having any money for productions means that it cannot get itself into a tussle with star singers Angela Gheorghiu and Roberto Alagna over whether they like the sets or not. There are not any sets and that is that.

The young couple - opera's "Romeo and Juliet" to their fans, but known as Bonnie and Clyde" by some in the business - have just rolled into town for a concert performance of Puccini's La rondine. They arrived here on the run from a major shoot-out in New York, where the general manager of the Metropolitan Opera has fired them from a forthcoming production of La traviata after they refused to sign their contracts without being allowed a veto over the set designs. It is a mark of the bad feeling that he was then prepared to tell the New York Times the how and why of the whole incident in gory detail.

Apparently, the two singers' fees are set at a level which means they are unlikely to play a significant on-going role in the Royal Opera's schedules. The most we can expect is the occasional one-night stand ~ a sort of smash-and-grab raid which does not leare the budget quite as depleted as a series of staged performances.

Monday's appearance looks to be a typical example. Alagna has gone on record as saying that he wants to concentrate on concerts and recordings rather than live opers, and record companies need artists who are willing to promote their discs, so everybody will have been happy with the choice of a concert performance of La rondine, the opera which won the two singers and EMI the coveted Gramophone "Record of the Year" award for 1997.

It seemed glib to call this the live glg of the record, but in the event that was what we heard. The singers were outnumbered on stage by the microphones. With the Albert Hall's sound reflecting canopy raised into the roof to allow for the stage lighting used in the Royal Opera's ongoing performances of *La traviata*, there probably was no option but to give this single performance of La rondine with amplification. It is just a sharpe that the voices were compromised.

What did we actually hear? Allowing electronics, Gheorghiu sounded in very good voice as Magda, floating some lovely-ordet singing that was always delicate but had body, even if she was vague about the words. Alagna was more immediate and impassioned, but there were mome when the top of the voice sounded stressed, a bit like Carreras when he was past the first flush of vocal youth.

The supporting cast was different from the EMI recording and included a bright young secondary couple in Francesco Piccoli, a reedy light Italian tenor, as Prunier and Rosemary Joshua as Lisette. Donald Maxwell made his mark as Rambaldo. But the other star of the performance was the Royal Opera orchestra, which played beautifully for Gianluigi Gelmetti. a Puccini conductor of suave style and

Given how few opportunities there are to hear this neglected Puccini score, the evening was on balance worthwhile. The Royal Opera is unlikely ever to stage La rondine, though Opera North's production a comple of years ago showed it to be a stronger and more purposeful work than it generally seemed here. Perhaps opera's "most wanted" couple should take it on the road

INTERNATIONAL

Arts Guide

BATH

BERLIN

THE STATE OF THE S

EXHIBITION Shaker: The Art of Craftsmanship. Furniture and decorative arts from the the Shaker community at Mount Lebanon. The show traces the ongins of the Shaker movement from late 18th century England to 19th century America; to Oct 25

CONCERT Philharmonie Tel: 49-30-2548 8354 Berlin Philharmonic Orchestra: conducted by Bernard Haitink in

works by Bartok and Brahms, With soloist András Schiff; May 23, 24, 25

BRUSSELS La Monnaie Tel: 32-2-229 1211 Il Ritorno d'Ulliase: by Monteverdi, New production conducted by Philippe Pierlot in a steging by William Kentridge. With

the Handspring Puppet Company, at the Lungtheater, May 20, 22 L'Orfeo: by Monteverdi. New production conducted by René choreographed by Trisha Brown with designs by Roland Asschlimann; May 20, 21, 22, 23

CHICAGO CONCERTS -Orchestra Hall Tel: 1-312-294-3000 www.chicagosymphony.org

 Chicago Symphony Orchestra: conducted by Daniel Barenbolm in Paethoven's Symphonies Nos. 3 and 4; May 22, 23 Chicago Symphony Orchestra: conducted by Daniel Barenboim in a concert performence of Fidelia. With the Chicago Symphony Chorus; May 26

FLORENCE

Maggio Musicale Florentino Tel: 39-55-211158 www.maggioflorentino.com Le Comte Ory: by Rossini. New. production conducted by Roberto Abbado in a staging by Lorenzo Mariani; ETI-Teatro della Pergola; May 21, 23

 Wozzeck: by Berg. New production by William Friedkin. conducted by Zubin Mehta; Teatro Comunale: May 26

GENEVA CONCERTS Victoria Hall Tel: 41-22-3170017 Orchestre de la Suisse Romande: conducted by Edmon Colorner in works by Turina, Ravel and Falla. With plano soloist Alicia de Larrocha: May 20

LONDON CONCERTS Royal Festival Hall Tel: 44-171-960 4242 The Royal Opera: Die ägyptische Helena, by Strauss. Concert performance, conducted by

Christian Thielemann, Cast includes Deborah Volgt and

Thomas Moser, May 22, 25 EXHIBITION Tate Gaffery Tel: 44-171-887 8000 Per Kirkeby (b.1938); continuing the series of contemporary sculpture displays, this exhibition includes paintings, sculptures and a specially constructed brick

structure by the Danish artist; to

LOS ANGELES

May 26

Dorothy Chandler Pavilion Tel: 1-213-365 3500 City of Birmingham Symphony Orchestra: Sir Simon Rattle conducts a programme of works by Rameau, Haydn and Beethoven; City of Birmingham Symphony Orchestra: Sir Simon Pattle conducts works by Knussen and Mahler, May 21

MOSCOW THEATRE Moscow Arts Theatre Tel: 7-095-229 8760 Persephone: director Robert Wilson makes his Russian debut with his interpretation of the myth of Zeus's daughter, who was abducted by Hades and made queen of the underworld; originally created for outdoor performance the show runs until May 23

MUNICH CONCERTS

Philharmonie Gasteio Tel: 49-89-5481 8181 Ivo Pogorelich: recital by the pianist of works by Rachmaninov, Granados, Prokofiev and Chopin; May 25

NEW YORK

CONCERTS Lincoln Center Tel: 1-212-721 6500 www.lincolncenter.org New York Philharmonic: conducted by Kurt Masur in Shostakovich's Symphony No. 7, "Leningrad"; Avery Fisher Hall; May 21, 22, 23

EXHIBITIONS Guggenheim Museum Tel: 1-212-423 3500 www.guggenheim.org Visions of Paris: Robert Delaunay's Series, Previously seen in Berlin, this exhibition focuses on the series paintings made by the artist in Paris, of subjects including Saint-Severin and the Eiffel Tower

Metropolitan Museum of Art Tel: 1-212-879 5500 www.metmuseum.org

to May 24

Augustin Pajou, Royal Sculpton first retrospective devoted to works by the French sculptor (1730-1809), successful in the French Royal Academy of Painting and Sculpture and a favourite of Louis XV and Louis XVI. Includes marble statues, portrait busts, terracotta sketch-models, and drawings including designs for the

Museum of Modern Act Tel: 1-212-708 9480 www.moma.org Chuck Close: retrospective of the American painter, comprising 90 works and ranging across his career, to May 26

Pierpont Morgan Library a.k.a. Lewis Carroli: display of memorabilia marking the centenary of the death of Charles L Dodgson (1832-1898), mathematician, photographer, and author of Alice in Wonderland; from May 20 to

THEATRE **Broadhurst Theatre** Tel: 1-212-239 6200 The Judgs Kiss: by David Hare. Richard Eyre directs Liam Neeson as Oscar Wilde In this Almeida Theatre production, transferred from London

Cort Theatre, 138 W. 48th St. Tel: 1-212-239 6200 Freak: John Lecutzamo's autobiographical one-man show about growing up in New York, directed by David Bar Katz

Golden Theatre, 252 W. 45th St.

Tel: 1-212-239 6200 The Chairs: by lonesco. Theatre de Complicité/Royal Court production transferred from London, Simon McBurney directs Geraldine McEwan and Richard Briers

OSAKA EXHIBITION The Museum of Art, Kintetsu Tel: 81-6-624 1111 Aubrey Beardsley: more than 200 drawings, prints, posters and

books created during the brief period of the artist's fame; to Jun 8 PARIS CONCERT Théâtre des Champs Elysées

Vienna Philharmonic Orchestra:

conducted by Seiji Ozawa in works

by Brahms and Stravinsky; May 26

ROTTERDAM EXHIBITION

Tel: 33-1-49525050

Kunatha Tel: 31-10-440 0300 Look at me: Fashion and Photography in Britain 1960 to the present. First stop for a touring exhibition which tracks the development of fashion photography, with its emphasis firmly on popular culture rather than haute couture: to Aug 9

SAN FRANCISCO CONCERTS Davies Symphony Hall Tel: 1-415-864 6000 www.sisymphony.org San Francisco Symphony

Orchestra: conducted by Michael Tilson Thomas in works by Mozart, Lukas Foss, Stravinsky and Berg. With soprano Renée Fleming and horn soloist A David Krehbiel; May

J.

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TOKYO CONCERTS Suntary Hall

Tel: 81-3-3584 9999 Cleveland Orchestra: conducted by Dohnányi In works by Ives, Mozart and Brahms: May 20 Cleveland Orchestra: conducted by Dohnnyi by Bartók, R. Strauss and Dvorák: May 21

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 Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

Nuclear hypocrisy otherwise the least

memorable of Germany's postwar chancellors. deserves to be remembered for one great remark. The nuclear non-proliferation treaty, he said, "is like a bunch of notorious drunkards inviting everyone else to sign the pledge".

I was reminded of this last week during the explosion of outrage which greeted India's nuclear tests. India has a consistent stand on this issue. It has

always refused to sign the NPT, which it regards as perpetuating a gross inequality between powerful and powerless states: those that have nuclear weapons, and those that do not. It also refused, quite

logically, to sign the more recent comprehensive test ban treaty. Tests are the method by which a state can confirm its status as a nuclear power - to its own satisfaction and, perhaps more important, to the rest of the world.

states recognised by the NPT had all conducted many tests before they signed the CTBT. France and China both conducted series of tests, provoking worldwide indignation, immediately before announcing their ment to sign.

The French case especially, offers some parallels to India's behaviour and might even have inspired it. Jacques shortly after becoming president, just as India's new BJP government has acted soon after taking office. Mr Chirac thereby established his Gaullist credentials, making it easier for him to proceed to slaughter the sacred cow of conscription. Slaughtering sacred cows

would not be the right

How can we expect India and Pakistan to eschew nuclear weapons if the UK and France have them? metaphor for a Hindu nationalist government, but some Indian economists do expect that the nuclear tests will make it easier for the

EDWARD MORTIMER

new government to push shead with economic otherwise run into strong opposition from the right of the BJP. India is also hinting It may change its position on the test ban treaty, which cannot enter into force until India, along with other states that have civilian nuclear industries, has ratified it.

The test han treaty unlike the non-proliferation treety. poses no issue of principle for India, because it does not discriminate between nuclear and non-nuclear powers. The NPT. by contrast, freezes indefinitaly an arbitrary distinction

based on the status quo of the mid-1960s. The five states that had tested a nuclear weapon before 1967 are recognised as nuclear-weapon states. No one else is allowed to

Under the treaty, however, the nuclear-weapon states did commit themselves to strive for seneral



Leaders who chose to test: Chirae, left, and Vajpayee

war decided "not to retalists with chemical or miclear response even if attacked with chemical munitions". Why? For reasons made clear in 1996 by the Camberra Commission on the

the coalition forces in that

Elimination of Nuclear Wesmons. "Use of nuclear or threat of use of other weapons of mass destruction," the would cross an important psychological as well as military threshold, making the management of future conflicts even more

uncertain.

disarmament, And in 1995

they accepted that this

involves the "determined

nuclear-weapon states of

efforts to reduce nuclear

systematic and progressive

weapons globally, with the

ultimate goal of eliminating

The question is, did they

mean it? And if so, what are they doing about it? The

doing little or nothing. So, in answering the first, the

answer to the second

question is that they are

reasonable conclusion of

most non-molear states is

that they did not mean it.

More than that, the current

recent crisis with Iraq, by

demonstrating the danger

showed why it is necess

for "civilised" states like

themselves to retain a

It is far from clear,

however, that nuclear

weapons offer any solution

to the problems of "rogue

states". James Baker, who

the time of the Gulf war.

was US secretary of state at

nuclear deterrent.

nuclear five assume that the

posed by "rogue" states, has

pursuit by the

those weapons"

as the price of getting the treaty extended indefinitely,

Moreover, even the threat of such use against a non-nuclear state is contrar to the "negative security ausurances which nuclear-weapon states have given. And it is clearly illegal under the terms of a world court decision two vears ago banning any threat to use nuclear weepons by a state unless "in an extreme circumstant of self-defence, in which its very survival would be at

Many people still find a nuclear-time world hard to imagine. At best it is only a king-term prospect, depending in the first instance on further between the US and Russia which between them have many times more nuclear weamons as all the other nuclear powers together.

Yet that does not let those smaller powers off the hook. Equality with China is the specific reason given by India for needing a nucleur deterrent of its own finet as Pakistan in turn cites equality with India).

France and the UK in particular have a lot to answer for. They, after all, what is now one of the care continents, and in the world's strongest and most successful alliance. guaranteed by the only remaining superpower, if they cling to an independent nuclear deterrent = supposedly essential to their national escurity or (even worse) to their international status and self-respect, how can they expect India and Pakistan to do without one?

Edward, Mortimer@FT.com

LETTERS TO THE EDITOR

Deflation and falling demand likely The aged and outcome of free market free-for-all advantaged

Sir, The writer of your editorial, "Golden jubilee" (May should be of immediate con-18), lives in a very different world from most of us. For the 70,000 protestors demanding debt relief at the G8 meeting last weekend. reality is the precise opposite of your assertion that the present trading system

ity and prosperity". Indeed, activists from postunclear test Delhi were clear that India's actions are essentially an effort to deflect internal unrest from increasing impoverishment caused by globalisation. The multilateral trade sys-

majority in the third world.

countries as well. This cern to the business readership of the Financial Times, as we show in our report Who Will Bun? released to coincide with this week's 50th anniversary "celebrations" in Geneva

Global deflation and

has "contributed immeasurdeclining effective demand ably to international stabilare likely to be the real conmarket free-for-all. Deregulation automation, relocation and the shift of tax revenues from citizen's welfare to corporate welfare are all part of the seriously destabllising forces currently disglobal the torting

A secure future for the

It increases income inequal—majority (and for business) fry and job loss in OECD is to be found more in "protect the local, globally" strategies that rebuild and diversify local and regional

Free trade's 60th should be seen against the problems facing the weekend's G8 summit - the fall-out from Asia's currency crisis, the fall-out from nuclear testing, riots in Indonesia, mafiamarketeering in eastern Europe and 18m jobless in the EU.

Someone ought to question just how much more free-market. "success" can stand.

Colin Hines, Nottingham NG1 5GQ, UK

The best scenario for Microsoft's future

Front Mr Paul Rinton.

Sir, Lex (May 18) states that separation of Microsoft's operating systems business from its applications business would be the worst case scenario for Wall Street, Perversely, if this were so it would strengthen. not weaken, the US justice department's case. Separa-

tion of these businesses, while a dramatic act. would soft's ability to compete than, for example, direct regulation of future operating

Thus direct regulation, not separation, should be feared most by Wall Street; unless Microsoft derives supra-

competitive profits, for strategic reasons, from running be less distorting of Micro- its operating systems and applications businesses under one roof. In this context, separation could be

> 159 Hoyt Street Brooklyn NY 11217, US

From Professor David

Sir, In his article, "The old world is in need of young blood" (May 9), Joe Rogaly falls prey to simplistic der graphic determinism in arguing that Europe will be disadvantaged compared with the US by its impending population age structure. Europe's "third agers", in general healthier (and wealthier) than any such group in history, should be capable of market-stimulatequal of any other society, Moreover, collectively they can draw on many years of insight and experience - providing the context of a society that has large reserves of mperance and wisdom

Mr Rogaly also under states the ambivalent attitude of the US population to its demographic future, Already, several powerful environmental organisations there have been riven by profound disputes over whether its current and future population growth is: a dominant cause of environmental degradation.

David B. Cope. flat 402, Rowan House, 9 Greycoat Street,

Too strong a condemnation of a tried accounting system

Sir, Jim Kelly likened my firm's defence of conventional accounting to singing the praises of a broken clock - because it is right some of the time ("Fix that broken clock", May 2). He argued that investors want extra information and that annual reports should give it to them, perhaps by supplant-ing historical costs with valuations or by adding risk

rently give investors all they decision, but only foolish duction of valuations can would like to know does not mean the clock is broken to be the sole input. You may as well condamn a clock for not forecasting the weathert To expect this of an annual report is to mistinderstand its role; it is a report on an expired period from the directors to the members of the company suggest. By focusing on and carries the legal responsibilities for directors and-

auditors that reflect that: function. Readers may well wish to use the accounts as concerned.

investors would screet this That is not to say com-

pany reporting cannot be improved. But historical cost accounts remain the bedrock of financial reporting around the world and do a better job than their detractors would actual transactions and cash flows, they allow readers a relatively clear insight into the affairs of the companies Paradoxically, the intro-

sometimes cloud that picture more than it clarifies lt. Similarly, a clear account better basis for readers to forecast the future than impounded the directors own predictions.

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Number One Southwark Bridge, London SE1 9HL

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PERSONAL VIEW HARVEY SAPOLSKY and EUGENE GHOLZ

Arms and the European

Europe could do a lot better than follow American practices in restructuring the defence business. There again, so could America

gence is slowing tion of the European defence industry. The French want to preserve state ownership in the industry and to prevent the displacement of workers that rationalisation might require. It all sounds extremely retrograde - but the delays the French are causing are actually bless-

Europe does not need continent-wide consolidation producing companies that supply defence equipment to propeans only. Rather, it needs to develop consortia hetween American and European arms makers. These transatiantic partnerships would then compete for joint weapons projects in a higger market, that is, the combination of the two main parts of

Europeans who argue in favour of consolidation focus on the need to match the scale and efficiency of the recently merged and suppos-edly rationalised American ence industry.

The problem is that this is not a correct portrayal of the American industry. To be sure, there has been a mammoth wave of margars, little affected by antitrust measures. Three large firms have formed - Boeing, Lockheed Martin and Raytheon while many other familiar nameplates such as Rockwell. McDonnell Douglas, General Electric and Westinghouse have disaprestness. Hundreds of thousands of defence workers have lost their jobs in the US since the end of the cold

But the mergers have not significantly reduced the huge excess capacity in the defence industry. This excess accumulated during the military build-up in the power of military prefer-1990s under President Ronald Reagan which doubled those of local communities by the lobbying efforts of the size of the private sector and their eager-to-please defence companies is to ged down in a mire of poliof the industry. Since the congressional representa- encourage transatlantic ties. and of the cold war, not one tives. Clearly, some defence weapon competitions among Mr Sapolsky is professor of production line making a cuts had to be made and consortia of American and weapons system - a war- were made. But given Amer- European firms. European ship, military ancraft or ican society's blas in favour navies should define requirearmoured vahicle - has of the private sector, it has ments in co-operation with low at the Center for closed in the US. Although been public arsenala, ship- the American navy. Euro- International Affairs at Horseveral such lines have yards and bases that have pean air forces with the US



switched corporate identity, all are still producing, if cutting pressure. more slowly. Despite redundancies, there are still 400,000 more private sector employees working in the defence business now than in 1976, just before the Res-

gan build-up began. Closures have not occurred, because defence has become a jobs pro-

During the cold war, the risk of military clash with the Soviet Union was real enough to give the American armed services a large say in the weapons that were acquired Because of that, it was possible for a firm to fail if it did not heed the interests and needs of its military customers. Many lines closed. Remember companiet such as Republic, Curtiss-Wright, Chance Vought, Martin, North American and Fairchild? All were formerly producers of American military aircraft that lost their prime contractor status during the cold war.

Compare what has hapnemed since then. Once the Soviet Union collapsed, the pean and American governences declined relative to selves from being exploited

taken the bulk of the budget

Unfortunately, many European observers seem to believe the hype rather than the reality of the current US defence consolidation. The American industry is often described as lean and newly efficient. As a result, it is portrayed as a threat to continued European weapons

efficiency that the American industry has obtained is in lobbying its government for resources. The prime conhigh-tech experts although, of course, they make excellent, advanced weapons systems - as they are experts in the political ways of their Congressional customer. European industry, once consolidated, would be only too likely to capitalise on its political power in the same way, avolding plant closures by binding governments to make-work projects that preserve local employment

One way that both Euroments can protect them-

ground forces with their American counterparts. Greater efficiency gains will be found by expanding the production runs of similar products, designed for similar military services, than there would be in cobbling together the requirements of the various military branches in another multiservice experiment. The bigsupport several rivals in each weapon category efficiently, an unlikely outcome if consolidation is limited to continental scale.

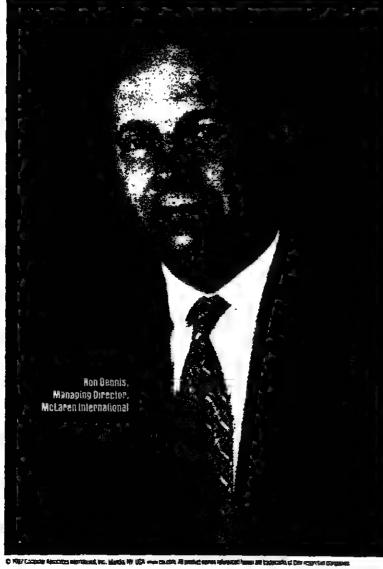
There is another important reason to favour these cross-Atlantic collaborations. Since the end of the cold war, the US has kept 100,000 troops in Europe as a sign of its commitment to European security. That commitment of forces, though, is untested by crisis and goes against historical precedent. One cannot imagine that American troops will stay much into the new century.

Instead, the likely opportumity to tie the US to Europe will come in joint security planning and weapons purchases. The design of com-In fact, the new height of mon equipment and the management of joint projects are bonds that can

European governments tractors are not so much also share with the Americans an interest in limiting the power of industry lobbyists to produce duplication and unneeded weapons. Why make an F-22 when there is a Eurofighter? Why develop a new large transport aircraft when there is a C-17? Recently, there have even been indications that transatlantic industrial ties may finally be forming. GEC's purchase of Tracor, an American defence electronics firm, is an encouraging sign. Perhaps there can be more progress soon ~ especially if the recalcitrant French keep intra-European consolidation bog-

> public policy at the Masso chusetts Institute of Technology. Mr Gholz is an Olin fel-

Software Winner



Since 1996, McLares has won eren Constructor's World Chempi-Anhios, nine Driver's World Channel

to have the best. That's very me've eles." savs Pon Derritz, Aleneolog Director for McLaces Internations data efficiently and intelligently is

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: 0171-873 3000 Fax: 0171-407 5700 Wednesday May 20 1998

Russia's dilemma

Last weekend, Boris Yeltsin two principal fronts. participated as a full member at the summit of the new group of ing alternative to the exchange eight leading industrial countries. But the country he then returned to is still a shaky emerging economy. Russia's vulnerability to the turmoil elsewhere reflects continued failure to make its monetary and fiscal policies credible.

Since Russia is a large country, heavily dependent on oil and strongly influenced by a rate that is not fundamentally corrupt business elite, indonesia's crisis was bound to bring it to the markets' attention. The pressure has come via the foreign exchange market. To meet it, the central bank has raised interest rates sharply; lombard rates are 50 per cent, from 30 per cent only last week, and real interest rates are around 40 per cent. Not surprisingly, the stock market has plunged - by 22 per cent since the beginning of last week and almost 80 per

cent from last October's peak. Fortunately, the impact of high interest rates on Russia's undeveloped market economy is not that large. It is the effect on the fiscal position that is more immediate and powerful. This is nomic recovery, something part of a vicious circle. One explanation for the loss of market confidence is worry about Russia's fiscal position. But however, must be to strengthen that is, in turn, worsened by the high interest rates needed to It has come a long way already. defend the exchange rate.

First, the lack of any convincrate as the anchor for monetary policy, combined with the frightening east Asian evidence on what happens when pegs collapse, makes a credible com-mitment to the exchange rate imperative. The central bank must make it clear it will raise rates to whatever level may be needed to hold an exchange

Second, the government must build on its recent success in cutting the fiscal deficit. In the first two months of this year the federal budget deficit was down to only 2.3 per cent of gross domestic product, as a result of higher revenue and lower spending than last year. In the longer run, fiscal credibility must be achieved by curb-ing spending, since the share of consolidated revenue in GDP, at 30 per cent, is already high by the standards of countries at similar income levels.

Russia has had much bad luck. Every time it may be on the eve of a convincing ecomoves that prospect over the horizon. It has been unlucky once more. Its best response, the fundamentals still further. If its government continues on What are the authorities to its present path, it deserves do? The response must come on continued outside support.

Hague's lecture

British political leaders have Mr Hague is right, of course, to of crossing the Channel to lec-Thus William Hague's Fontaine- France or Greece their distinct ered in the style of his two Conervative predecessors - Marcaret Thatcher in Bruges and John Major in Leiden, Tony Blair, the Labour prime minister, speaks from a different text but he too has been known to adopt the

At first glance, Mr Hague's contribution to this tradition contains common sense. He makes the case for market disciplines in preference to post-war corporatism, for lower taxes instead of higher social costs and, above all. for the speedy enlargement of the European Union to the new democracies of the east.

Then it all goes wrong. What promises to be a sensible plea for the nations of the Union to adjust their intregationist ambitions to the mood of the times lapses into the familiar Eurosceptic characterisation of the EU as a plot. Thus Mr Hague accuses its institutions of "taking" key elements of Britain's executive, legislative and judicial authority. The reality, of course, is that such powers as the EU has accumulated were freely transferred by national governments, most notably per-haps by the then Mrs Thatcher in her signature of the Single Euro-

developed an unfortunate habit say Europe cannot replicate the ties and reflexes of nationhood ture their European partners. which give Britain, Germany, bleau speech yesterday was deliv- identity. But then such plots exists only in the nightmares of Monnet, the EU's founding father, who declared that he would not create a nation Europe

adjust their post-war ambitions to the ending of the cold war, Mr Hague's view of unfettered national sovereignty is rooted in a 19th century view of the nation

home. For the same reason he time of the next parliament. This unique experiment in monetary integration is said to threaten war, the revival of right wing

nationalism and much else. Mr Hague, however, has contrived to underestimate both the pragmatism of the British and the political will of his European counterparts. This is a speech without an audience. In the words of Michael Heseltine, the former deputy prime minister, it will be greeted with an incredulous shrug of the shoulders.

to replace a nation France. And while other European governments may have been slow to

The calculation here is that a robust rejection of further integration will begin to rebuild the Tory party's electoral support at rejects British participation in the single currency for the life-

Jister down to the wire

he Northern Ireland peace agreement is going from high hopes to a nail-biting finish. This Friday, Ulster will hold what is probably the most important vote in either part of Ireland since the island was partitioned

The province's 1.2m voters are being asked to back the accord reached at last month's multi-party talks, setting up an elected power-sharing assembly and new cross-border institutions for co-operation with the Irish Republic.

When the negotiators emerged bleary-eyed into the daylight on Good Friday with the agreement in place, many must have felt that the hard bit was over. Such was the self-confidence in the largest party, the Ulster Unionists, that one adviser even suggested the party should not even campaign for the referendum, but conserve its energy resources for the subsequent election to the Ulster assembly. In the first week of the campaign the party's leader, David Trimble, went to the US to honour a speaking engagement.

If a vote had been taken then. there is little doubt it would have been warmly endorsed. But recent opinion polls have shown a steady drift of unionist voters into the No camp, accelerated after the triumphal appearance of IRA prisoners at Sinn Fein's party conference the weekend before last. Suddenly, the outcome does not appear so certain ofter all. Unlike 1985 when unionist parties closed ranks in opposing the Anglo-Irish agreement, today the unionist community is split. Predictions are much

harder to make. It is not that the overall result is in doubt. With nationalists strongly in favour, the referendum is certain to be carried even if less than half the larger unionist community vote for it.

But there are big questions about the size of the majority and potentially big differences between the implications of a resounding majority (say, 70 per cent in favour) and those of a more muted approval, with perhaps 60 per cent, implying that a majority of unionists might have voted against.

The political reality is that anything less than an emphatic Yes will be saized on by the opponents of the deal as proof that the unionist community has not given its consent.

It is easy to see why. Northern the Eurosceptics. It was Jean I Ireland has been in this position once before, after the Sunningdale sureement in 1973. On that occasion there was no referendum, but in the new assembly unionists opposed to the deal outnumbered those willing to share power with nationalists. The power-sharing executive headed by Brian Faulkner collapsed after only five months, in the midst of a unionist general strike.

A Yes vote of over 70 per cent this Friday would probably provide enough of a tail wind for Mr Trimble to avoid Faulkner's fate. His deputy, John Taylor - one of the few veterans of Sunningdale still in politics - balieves 65 per cent would suffice.

A two-thirds majority remains a possible outcome. Mr Trimble yesterday appeared confident the tide was turning his favour. "We've had our wobbly patch, we're over that and the goal is in sight."

But what if he is proved wrong? The new assembly would still be set up (to do anything else, officials say, would be undemocratic).

But everything else would be changed, in particular the post- ally set up.

John Murray Brown and Edward Mortimer consider the last-minute jitters affecting the Irish peace agreement



tions of Mr Trimble and the unionists on the one hand, and play into the hands of radical favour? In practice, Mr Trimble Gerry Adams and the Republicans on the other. The upshot could be that the assembly would had been wrecked by unionist enthusiasm. The constitutional be an empty

Anything short of about 65 per cent could trigger a challenge to Mr Trimble's leadership of the Ulster Unionists, If the "Nos" then did well in the assembly elections to be held on June 25 they would in practice be in a position to subvert the working of the assembly.

They could, for example, block the election of a new chief executive (a sort of prime minister for Ulster). That would mean that even though they could not wreck the power-sharing provisions of the deal, they could frustrate the setting up of the North-South institutions that it provides for. These are a vital part of IRA - or at least republican the agreement for nationalists. and without them the expected Yes vote in the south would become meaningless, since the constitutional amendment dropping the Republic's claim to the north would not take effect. at the very least their rivals the Hence, if the approval was below unionists, would have been about 60 per cent_ everything could go for naught even though there was a majority and even though the assembly was actu-

(the very principle on which they rely to keep Ulster British). Some unionists believe this has been Sinn Féin's game all along: playing for a stalemate which

'We've had our wobbly patch, we're over that and the goal is in sight'

would provide an excuse for the splinter groups - to revive the war and pitch Northern Ireland into another cycle of violence and destruction. Even if this was not the plan, the Republicans would still have achieved much; plunged into disarray.

So how has everything gone from high hopes to these fears in a month? And what are the chances that the vote could, after

Such an outcome would also all, turn out convincingly in nationalists and republicans, who has seemed uneasy about recomwould argue that the agreement mending the deal with any and nationalist members, or a 60 the inevitable compromises, especially the one allowing Sinn Fein leaders to become ministers on

> table by the IRA. The No camp, having boycotted the talks, entered the fray fresher then its opponents. It seized the initiative, exploiting the doubts expressed by senior members of Mr Trimble's party, including a member of his negotiating team.

The main weakness of the No campaign is its lack of a positive alternative to the agreement. But the Rev. Ian Paisley, leader of the Democratic Unionist party, has a neat retort to this argument: "Of course there's an alternative to letting convicted murderers out of jail. Keep them locked up!" His DUP alone probably accounts for a solid 20 per cent of the total vote. But there are signs the No camp is now mustering support well beyond that, from voters who would normally have little truck with Mr Paisley's

anti-Catholic populism.

The main battle is being fought for these so-called "soft No" voters - unionists who initially either welcomed the agreement or were not intending to vote, but are now seriously worried. An important component of this group is the religious vote. All the main churches have remained non-committal, but several prominent clerics have come out against the deal, arguing that it rewards violence.

Among voters aged 18 to 30, by contrast, a poll in the Irish News on Monday suggests there is much more support for the deal than in the population as a whole. Equally critical for the Yes camp, in this age group only 10 per cent said they would not vote, compared with around 20 per cent of the overall

Turnout will be critical. In general elections it has varied from 58 per cent in protestant North Down to 92 per cent in the border constituency of Fermanagh and South Tyrone. The disparity underlines the fact that voter apathy tends to be much more widespread among unionists. But government officials believe the turnout this time could be as high as 80 per cent. This is supported by the unusually high number of applications for postal votes from people working outside the province.

Even if the Yes camp succeeds in winning a respectable majority, the battle will not be over. The opposition will have a second chance with the assembly elections five weeks later.

The big question is how far these elections will reflect the referendum result. Many of those persuaded to vote for the first time on Friday may be unwilling to come back and vote for the

familiar faces on June 25. In particular, with an electoral system favouring the bigger parties, those working-class unionists attracted to the more radical politics of the small loyalist parties (which are backing the Yes campaign) may stay at home feeling the mainstream parties have nothing to offer them.

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To be able to wreck the assembly by vetoing the election of the chair and key officers, the Paisleyites would need a huge swing away from Mr Trimble, which even on the evidence of recent polls may prove a tall order. The rules require that such key declsions are taken on the basis of a straight majority of both unionist per cent majority comprising at

least 40 per cent of each block. None the less, Sydney Elliott, a political scientist at Queen's University in Belfast, says Mr Trimthe basis of proportional repre- ble will face a hard campaign to sentation, are not easy to sell to a regroup his forces for the assemdefensive unionist audience, bly elections. He may be encourmany of whom feel they have aged by yesterday's statement been bombed to the negotiating from Mr Donaldson, who has come to personify the doubts over the deal within the UUP. that after voting No on Friday he would be back working with Mr Trimble on Monday for a strong UUP vote in the assembly. But support on those terms highlights Mr Trimble's next dilemma: will he accept people on his ticket who have defied him in the referendum campaign? Or indeed, will be be strong enough to deny them party endorsement

even if he wants to? Given the autonomy of the Ulster Unionist constituency associations, party officials say there is little he can do to prevent No-campaigners being selected. For Mr Trimble, Friday is the first big hurdle.

But whatever the outcome then, the battle to secure the new deal for Northern Ireland will have only just begun.

Irish boom?

While attention is focussed on more importantly, there is a the chance of peace in Northern ireland, the economy in the south continues to grow at a rapid rate. So rapid, in fact, that worries are mounting that the start of economic and monetary union could be marred by a damaging bout of inflation in the EU's fastest-grow-

On the face of it, Ireland looks like a prime candidate for a serious rise in inflation. Output growth averaged nearly 9 per cent over the past four years, and is set to grow by over 8 per cent this year. The trade-weighted value of the Irish punt drifted down by nearly 10 per cent over 1997, which was only partially reversed by the recent revaluation. And by the beginning of next year, when Emu starts, short-term Irish interest rates will have to fall to continental European levels - which means a cut in the repo rate of at least 200 basis points. The inflation rate, which was one of Europe's lowest, is now 2.5 per cent and rising, thanks mainly to the exchange rate effect.

Wages are the most immediate concern. Public sector pay, which has been constrained since 1995 by the Partnership 2000 wage pact, is under most pressure, But these pressures are not as

with strikes now breaking out. great as they might first appear. Yes, there are certainly skill

large, and growing, pool of labour. The unemployment rate is still 9.5 per cent, and demographic effects combined with net immigration mean that the labour force is increasing at an annual rate of 2 per cent.

The strength of the asset markets presents a greater risk. The stock market index is up 30 per cent this year alone, and property prices have risen by 15 per cent in the last twelve months. The cut in the capital gains taxrate from 40 to 20 per cent in the latest budget only added to the momentum. The markets will not necessarily crash - some of the strength in house prices, at least, is just due to demography. But there is certainly a risk. It might only take a small downturn in growth for earnings expectations to be revised down, triggering an equity market fall. If this pulls the housing market down, the Irish banking system could be the biggest victim.

The Irish economy remains in a healthy state. But the government must face up to the risks it is running. Since monetary policy has to be loosened to join-Emu, Dublin must compensate by significantly tightening fiscal policy. This will be difficult, not least because tax cuts are a key weapon in persuading the unions to stick to the wage pact. But in joining the single currency, shortages in some areas. But Ireland has no other option.

Presidential bid on the line Antonio Di Pietro, the former Italian magistrate whose anti-corruption nvestigations unseated a prime minister and shock the foundations

another tour de force at recently privatised Telecom Its Now a senator with the ruling centre-left Olive Tree coalition. Di Pletro is threatening to turn up in Turin on June 16 at the shareholders meeting to "defend the rights" of the 1.5m small

of Italian capitalism, is threatening

in his regular column in the weekty gossip megazine Oggi, Di Pietro says the small fry who own 85 per cent of Telecom Italia's capital "count for less than zero". All the levers are pulled by a group of "stable shareholders" including the Agneti family - who own 6.16 per cent of the company

His intervention won't be music to the ears of Gian Mario Rossignolo, Telecom's embettled chairman, who has been trying to adapt the old telephone monopoly to a private enterprise culture there has been infighting worthy of the Borgies in the executive

Rossignolo has also upset the government - still the largest shareholder - by ditching a strategic agreement with AT&T in favour of a hook-up with Cable & Wireless. The last thing he needs is a people's champion snapping at

The state of the s

Di Pletro is making himself unpopular with the Olive Tree's top brass by cultivating an independent populist approach. apparently pulling out all the stops to boost his poli ratings for an eventual bid for the presidency. In which case, the votes of 1.5m Telecom Italia emall shereholders are not to be sniffed at.

Loudon clear

The Netherlands' revamped legislation on insider trading is among the toughest in the world, says Francis Loudon, the former MeesPierson banker who these days runs bourse watchdog STE. The STE's annual report, released vesterday, showed that 24

such investigations took place last year. So let's hope that no future probes centre on European Vinvi Corporation, Wegener Arcade or De Drie Electronics. Oddly for a regulator, Loudon is a non-executive director at all three Amsterdam-listed companies, chairing the supervisory boards of

the last two. "Theoretically a conflict is possible," he said yesterday, "and an elegant solution would have to be found." Pointing out that these little earners had the blessing of finance minister Gentt Zalm, Loudon added mildly: "In the old days we were all part-timers."

OBSERVER

On the brawl There will be a place of honour at the inauguration of the next

Philippines president for an American called Patrick Hilton. That's assuming, as most Filipinos do, that Joseph "Erap" Estrada has won - and that Hilton can be Estrada's allies are trying to

track down Hilton because he

changed the vice-president's life. in 1953 a playground punch-up got them both expelled from the snooty Jesuit-run Ateneo de Manila High School. If Estrada had stuck with the Jesults he might have become just another lawyer, accountant or banker. The Jesuits would not have encouraged him to drop out of

college and become a high-living, womanising, tough-guy B-movie actor, the career that launched him into politics. Hilton made a mark on Philippines history, as well as on Estrada's nose. In another sign of confidence in

Estrada's victory, President Fidel Remos has given him a tour of the Malacahang Palace, even introducing him to the servents. "I told him that I would keep them," said a chirpy Estrada. Investors will be hoping for lots more pledges of continuity.

Spun off

Through the ups and downs of Benjamin Netanyahu's leadership of Israel, his top spinmeister David Bar-Illan has shown world-class issue of the New Yorker magazin which carries a profile of Bibi by veteran Pulitzer-prizewinning koumalist David Remnick.

Bar-liten's reported comments on Sara Netanyahu - "not the most stable woman in the world have stirred up a storm. Netanvahu and his cronies have always denied stories about the first lady's neurotic cleanliness and tendency to fire the home help for burning the soup; the interview provides details to back up the reports. All the premier's men are rallying around Bar-Illian's denial that he

sald any such thing. Remnick Is standing by his story, the Israeli press is having a field day and press briefings may never be the

Dane graded

Jacques Delors was in vintage form on his return to Brussels yesterday. The highlight of a scintilizing hour-long tour d'horizon came when the former Commission president was asked what would happen if Denmark voted against the treaty of Amsterdam in the May 28 referendum.

The Danes would ask for more opt-outs, he said. If countries kept doing that, the European Union would turn into a "self-service operation" where everyone could pick and choose. That would be the end of the EU.

All good clean stuff until Delors added with a mischlevous grin that countries which took this line were like people who like pomographic movies but don't admit it. That raised a few smiles, though perhaps not from the Danes

Financial Times

100 years ago

Playing "Yankee Doodie" The great New York Life Insurance office urges on the hounds of war in America, and offers the Government ten million dollars with which to buy big guns and blow the Spaniards to smithereens. Simultaneously in Madrid the same company acts as a recruiting sergeant on the other side by letting all insured Spaniards fight, free of extra premium, against the Americans but not against any other people. So the great office is playing "Yankee Doodle" with one hand and whatever may be the Spanish war chant with the other.

50 years ago Germany's Unusual Economy

A man in Berlin wanted to move to Frankfurt, but he knew that no accommodation was available. He arranged therefore for a pre-fabricated house to be delivered from the French zone and erected for him in Frankfurt. The payment was made in electric bulbs, which were manufactured in the Russian zone and were obtained by another exchange transaction. Various middlemen came into the deal at various stages. Much of German economic life is based on this type of transaction.

FINANCIAL TIMES

PRINTERS FAX MACHINES

WEDNESDAY MAY 20 1998

THE LEX COLUMN

Minority issue

Mopping up minorities is the latest fashion in corporate Europe. Suez Lyonnaise des Eaux did it this week with Société Générale de Belgique; Axa-UAP did it earlier in the month with Royale Belge. Even Pirelli has streamlined its

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This is another sign of shareholder value catching on. In the past, especially in France and Italy, the game was to control as big an empire as possible, but owning all of a subsidiary seemed a point-less way of tieing up limited capital. Now, though, with the game increasingly about boosting the share price, mopping up minorities often makes sense. Total control makes it easier to drive through industrial synergies; it can also eliminate holding company discounts, as outside investors are often deterred by complicated structures. Moreover, insofar as the company has convinced shareholders that it is pursuing their interests, it does not even need to find the cash to execute the transaction; paper will do the job just as

There is much unfinished business. Both Axa and Suez Lyonnaise, for example, have outstanding minorities in some subsidiaries. And when the parent and subsidiary are in different industries - for example, Eif/Elf Sanofi - it would be more sensible to sall out completely than mop up the minority. Moreover, old-style attitudes still linger, particularly in familycontrolled groups: Bernard Arnault, Albert Frère and the Agnellis show no sign of abandoning their Chinese boxes.

J. Sainsbury/Ahold

Europe today

Five-day forecast

will be mainly fine and bright.

Central and north-west Europe will

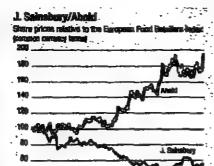
be dry and sunny, but showers are Alps. Spain and Portugal will

remain thundery. The central and

Showers over Denmark should clear, leaving southern Scandinavia bright but cooler. Northern parts of sunahine and wintry ahowers. Central and north-west Europe w be dry with sunshine, but there may be showers in Germany and over the Alps. Spain and Portugal will remain unsettled with thundery rain in the interior. The central and eastern Mediterranean will be surmy, but southern italy and the

J. Sainsbury may like to believe that the 7 per cent jump in yesterday's share price was down to its brilliant negotiating skills in securing over 2375m for its stake in Giant Food. The deal was good, but not that good: earnings are likely to be enhanced by some I per cent. In truth, the market's enthusiasm probably owed more to relief that Sainsbury was limiting its exposure to the US market.

It was a mirror image over in Amsterdam, where Ahold was rewarded with a 6 per cent rise in its shares for its plans to buy the whole of Giant. If acquiring Giant makes so much sense for Ahold, why not for Sainsbury? Ahold has spent the last 20



US. Yesterday's bid for Giant may not be cheap: it may take two or three years before the return on the investment matches the business's cost of capital. But it will yield more synergies for Ahold than Sainsbury, whose US business will

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now have sales of some 33hn. Sainsbury will now have to explain quite what its US strategy is. Arguably, as of yesterday, it has strengthened the market power of one of its rivals. And a glance at the two companies' relative share price performance indicates Sainsbury investors have less faith in it than do Ahold's in their company. Shareholders in UK retailers hold bad memories of their companies' forays into the US. And Sainsbury's own recent troubles with Shaw's can only have reinforced their dis-

Brazil has resumed its shaky progress towards fiscal rectitude. Having lost an early vote on key civil service reforms, the government has succeeded in forcing the introduction of a minimum retirement age through Congress. Since some civil servants start drawing full pensions in their mid-40s, this should save a worth-

And not before time. Spiralling interest payments and a slowing economy meen the budget deficit is now running at an unexpectedly high 6.5 per cent of gross domestic product. To bring the situation under control, the government will have years building up a \$150n business in the to pull off the sale of phone network Tele-

CONTENTS

table. And there is already talk of the need for a second round of social security reforms if President Fernando Henrique Cardoso is re-elected in October.

If all goes according to plan, the combination of reform and privatisation should bring down next year's deficit, allowing a cut in interest rates and thus a further deficit reduction. But investors are not betting on such a virtuous circle yet - the troubles in Indonesia are a reminder of Brazil's vulnerability. A measure of the market's accyticism is that real interest rates are still a staggering 20 per cent, despite substantial monetary easing since last autumn's crisis. That is likely to keep the lid on Brazil's stock and bond man

Marks and Spencer

When Marks and Spencer's pre-tax profits broke through the film barrier in 1996-97, the super reliable retailer's shares were on a roll. What seems strange now is that it was ever thought that such a mature, high-margin business could continue to increase profits at a double digit rate. In the past year, two things have caught up with it: additional competition at home and its, perhaps understandable, caution in expanding abroad. As a result profits seem stuck at £1.1hp-£1.2hp until the next millermium, hence the stock's underperformance.
Yet M&S has rightly retained a pre-

mium rating to the sector. No one doubts the strategy of increased investment. The lower risk tranche of the spending including conversion of UK stores bought from Littlewoods - should pay off first. It will be more difficult to milk decent returns overseas, as illustrated by last year's drop in profits outside the UK. Such uncertainty could cause more turbulence in the shares. Another company reporting yesterday, the caterer Compass Group, says it took a good two years before its transformation into an international player was reflected in the share price. Against this background, and with retail conditions hardly easy in the UK. MAS might be tempted to take the foot off the international accelerator. It should not. Indeed with its minimal debt level, there is a case for bolder expansion, including continental acquisitions.

Posco looks for strategic link with Nippon Steel

Korean group's equity swap plan 'defence against corporate raiders

been discussions but nothing spe-

cific has been decided. But we will .

and John Burton in Seoni

Pohang Iron and Steel Company, the South Korean steelmaker, has proposed an equity swap with Nippon-Steel of Japan that could lead to the world's second largest and largest steel companies forming a strategic alliance.

Posco said equity sharing would help defend it from foreign corporate raiders once the company was privatised. "Should Nippon Steel agree to the deal, the two companies can enter into a mutually protective arrangement, it said. The Korean government plans to sell its 33 per cent stake in Posco, partly through a rights issue on the New York Stock Exchange, once privatisation plans are approved by the end of Juns. Nippon Steel confirmed yesterday that it had been approached by

Posco about the possibility of swap-

ping equity but said such a deal would depend on the Korean govern-

have to wait and see how [foreign ownership] rules are changed. We have not started formal talks," Ninpon Steel said. Foreign ownership of Posco is limited to 30 per cent, which is nearly fully subscribed. An equity swap between the two largest steelmakers would pose a for-

midable challenge to other steelmakers, analysts said. Toru Nagai, industry analyst at Morgan Stanley in Tokyo, said: "An alliance between the two largest steelmakers would be a blow to any

other steelmaker, particularly those

who had hoped to tie up with one or

the other in the Asian market." Mr Nagai expected any share swap to involve between 10 per cent and 20 per cent of Posco equity. It would benefit both companies by enabling them to avoid excess competition in Asian markets as demand weakens

due to the region's economic tur-

ment's plans for Posco. "There have moil. Kenichiro Yoshida, industry analyst at Solomon Smith Barney in Tokyo, said: "The Asian markets are practically dominated by Japanese steelmakers and Posco." Posco produced 26.4m tonnes of crude steel in

Although Nippon Steel and Posco are industrial rivals, they have close relations dating from 1969, when the Japanese company helped its Korean rival build its business by providing technical support and manufacture ing equipment.

The proposal by Posco reflects the influence of its founder, Park Taejoon, who spent years in political axile in Japan before returning last year to Korea, where he heads a minority party in the new coalition government. Mr Park, who was forced to resign in 1998 as Posco head by a previous government, has quickly resserted his control over the steelmaker by appointing a former colleague, Yoo Sang-boo. as

Russia raises interest rates to 50% in bid to shore up rouble

Russia's central bank raised interest rates to 50 per cent yesterday to shore up the rouble following recent pressure on state treasury bonds and the currency.

The move, with an announcement that the government would defund the rouble and was sticking to a stringent monetary policy, appeared to steady nervous markets some-

The benchmark RTS share index, which fell 11.8 per cent on Monday. rose 4 per cent. The rouble stendied at Rbs6.15 to the dollar at the close. The central bank put up its

refinancing rates to 50 per cent from 30 per cent, their highest level since December 1996. It increased its Lombard rate - the rate at which it lends to commercial banks - from 40 to 50

The raising of the refinancing rate, off-loaded company stocks in favour able to maintain stability on Russian of government bonds. Sergei Dubi-financial markets," he said.

plamed western companies for "speculative attacks" on the rouble and said the government had spent \$500m propping up the currency in

He did not name any institution but referred to a western investment company, a consultant to the government on distributing eurobonds, which had contributed to the collapse of the securities market and

"I want to say straight away, and the government backs me on this, that the government should reconsider its relationships with those institutions which have taken part

directly in this," he warned. Alexander Potemkin, the bank's deputy chairman, said he hoped the interest rate rise would convince investors there was no serious threat to the rouble exchange rate or to

monetary policy. actions, our actions in raising interyields in recent days as investors estrates, will one way or another be

The markets remained nervous brokers said, but Treasury bond yields came down. Six-month maturity bonds, which were yielding 50 per cent on Monday, were yielding \$2.75°

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41.5 per cent yesterday.

The financial crunch is the latest difficulty to hit the newly installed government of Sergel Kiriyenko. It is already under pressure to pay thousands of striking Russian miners. They are protesting against the non-payment of months of wages by blocking the main railway lines in Siberia and the far north.

Mr Kiriyenko is expected to make a speech on the stock market crisis tomorrow.

The central bank's ability to defend the rouble remains the main preoccupation of investors. Par Melistrom, head of research at Brunswick Warburg, a Moscow brokerage, said: "What the central bank has done, and their statements, they are willing to pay the high

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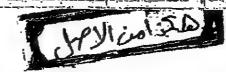
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INSIDE

Seagram acquisition as sector faces global sales slowdown

Seagram, the Canadian drinks and entertainments group, is poised to become the world's biggest record company by buying PolyGram, the Dutch group. Although the acquisition, worth more than \$10bn, fulfills an ambition of Edger Brontman Jr, Seagram's president, it comes as the sector faces a global slowdown in music sales. Page 18

Tiger acquires taste for noodles South Korea's once-

South Korea COTTON CONTROLLE

rates

in roub

- cars, ships and semiconductors - are being shunned by foreign

investors Interest has shifted to humble companies auch as Nong Shim, a noodle maker. among investors because they are practically debt-free. Analysta

proud export industries

say traders will concentrate on companies with low debt when the limit on foreign shareholding, now 55 per cent, ends on Friday. Page 36

Bajaj Auto plans computer fightback India's market for two- and three-wheel vehicles grew last year, but volumes at Bajal Auto, the country's biggest producer, fell 6.4 per cent. Rahul Bajaj, chairman, aims to fight back by using computer-controlled machine tools to improve quality control and build new models. Page 17

US rate hopes lift Dax to record Early strength on Wall Street and a growing conviction that the Fed's open market committee would leave US interest rates unchanged sent Frankfurt into record territory. The Frankfurt's Xetra. Dax index peaked at 5,448.03 before edging back in late electronic trade to close 97,34, or 1.8 per cent higher, at a record 5,441.00. Page 36

Barrick explains use of hedging The World Gold Council biames the dramatic decrease in gold prices on the increasing use of hedging. The world's biggest and most effective gold hedger is Barrick Gold of Canada. Peter Munk, its chairman, has indicated why he puts such an emphasis to the practice. Page 26

CME begins Ecu futures trading Trading in European currency unit tutures and options began on the Chicago Mercantile Exchange, the second largest of the US futures exchanges. The move paves the way for eventual trading in the new euro currency. Page 24

Demand for silver in India dries up ver, stopped buying the metal towards the end of last year as its price rose on the buying activities of Warren Buffett's Berkshire Hathaway investment group. The Washington-based Silver institute said imports to India virtually dried up. Page 26

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Cariton Commit Cedio Chevrori Chrysler Cisco Systems Compaq Computs Confla Conoco Crédit Lyonnais **Dell Computer** Deutsche Teleko D-KE **OuPont** Eastern Group Firs/Group

Giant Food

KPN Telecom Marks & Spencer Matsushita Electric Mobil Moment No. Morgan Stanley NBG National Express National Power Netscape Commi Nikko Europe Nipport Steel

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WEDNESDAY MAY 20 1998

Ahold in \$2.7bn bid for Giant Food

By Gordon Cramb in Amsterdam, Pages Hollager in Lemma and Richard Tomkins in New York

Dutch supermarket group aims to broaden US reach

Ahold, the Dutch-based paries" supermarkets group, yesterday noved to broaden its US reach with a \$2.76n-plus bid for number of US stores under Giant Food, a chain based in Maryland which UK retailer existing chains include New J Sainabury had previously cought to control. Giant's operations in Washbased in Pennsylvania.

ington DC, Maryland, Delaware and other states would plug a gap in Ahold activities in north-eastern and southeastern US. Cees van der Hoeven, president of Ahold, described it as "highly compatible with our other US com- announced his retirement. panies".

J Saingbury insisted the dis-The 176 outlets of Giant posal did not signal a withdra-Food would take the total wal from the US market, where it still owns Shaws, a Ahold control above 1,000. Its New England chain. The disposal of the Giant

England's Stop & Shop and the stake had been prompted by unrelated Giant Food Stores, the opportunity to capture some shareholder value. The disposal of J Sainsbury's "Ahold's valuation on the business was much higher than 19 per cent stake in Glant, purchased three years ago for just ours," said David Bremner, under £275m (\$458m), comes weeks after Lord Sainsbury, head of J Sainsbury's international division. chairman and architect

Although analysis said the was high, shares in

Ahold rose 5.7 per cent. The Dutch group had said it would make an unspecified equity issue to refinance the purchase. Last month, it completed a F1 2bn offering.

Giant Food's publicly traded, non-voting shares were up \$5%, or 14 per cent, at \$42%. Abold is offering \$43.50 apiece for these and has agreed to buy voting and non-voting shares owned by J Sainsbury and the family of Israel Cohen, chairman, who died in 1995. In the year to February 1998,

Giant Food increased sales by 9 per cent to \$4. 2bn, but net profits fell from \$85,5m to \$71.2m after the company slashed prices to bring shoppers back after a long strike by truck drivers. It also suffered increasing competitive pressures from discount chains such as Wal-Mart Stores. which has moved aggressively into the groceries business. Ahold, with sales last year of F150.57bn and net earnings of FI 934m, sees streamlined technology and distribution as a key to boosting earnings in the

US, already its biggest market.

DuPont to buy Merck's 50% stake for \$2.6bn

By Jersey Lucary is Lorent

DuPont is to buy out the 50 per cent stake held by Merck in the DuPont Merck pharmsceuticals joint venture for 2.6bn in the latest move by the US chemicals conglomerate into life sciences.

The pharmaceutical venture, formed in 1991 and with sales last year of \$1.8bn, covered all DuPont's drugs activities with the exception of one business. It will now be drawn into the group's new life science division, where it will be known as DuPont pharmaceu-

DuPont, which last week announced the sale of its oil arm, Conoco, plans to increase its life sciences division to 35 per cent of group sales by 2002. The Merck acquisition group, excluding Conoco, or near future".

proportion of the funds raised from the Conoco sale - the first tranche of which will be an initial public offering this year of 20 per cent of the oil business, setimated to be worth between \$4hn and \$5hn.

Kurt Landersf, executive vice-president of life sciences. vesterday ruled out any large pharmaceuticals acquisition, saying this would inevitably be dilutive. But he said the group would seek to augment It intended to do this by expanding its geographical

presence in Europe and Asia.

technological capabilities. On this basis, "we hope to have found a European partner through an alliance or an equity arrangement in the near future", he said.

Such an alliance would confirm DuPont's emerging willinguess to develop links to schieve the partnerships that have eluded others. Last month, it acquired a 20 per cent stake in Pioneer Hybrid international, one of the world's leading seeds companies. This sealed its alliance with a company DuPont's main rival, Monsanto, had

Meanwhile, DuPont said it would take advantage of the full control of its pharmaceuticals business to "ramp up" its pharmaceuticals R&D spendwill take that proportion to ing from between \$300m and 20 per cent of the existing \$400m today "to \$500m in the

However, the drugs buy-out R&D and marketing capabili-will only account for a small-ties of its pharmaceuticals operation elsewhere in its life sciences division, with the target of lifting its agricultural biotechnology sales to \$1hn a year by 2002.

The group will post a \$10m R&D write-off following the Merck stake buy-out. This will fall in either the second or third quarter, depending on when the deal is closed. Mr Landgraf said the

buy-out would dilute earnings by 3 to 4 cents a share this year and next year, but would be sarnings enhancing by 2000.



Asset sales list brings Crédit Lyonnais closer to rescue deal

imil Andrew Jeck in Paris

the troubled French bank, will FFr145bn (\$20bn-\$24bn) state rescue package. the cal.

final obstacle for approval of the largest state aid package exemined by the Commission, which is due to vote on the proposals today.

A Commission official said Miert, the European Union competition commissioner. was satisfied with the list and Defect to open purse, Page 19 | was likely to obtain his col-

cue without debate.

received a detailed list from tial to protect the price they the French government of will realise on disposal. Mr assets that Crédit Lyonnais. Van Miert will make only one copy available to Jacques Sanhave to sell to gain approval ter, president of the Commisfor an estimated FFr120bn- sion. "The list is in Mr Santer's safe, and I do not even know the combination." said the offi-

At the weekend, the list was all that was missing for the Commission to approve the deal, after tense negotiations culminated in an agreement last Thursday between Mr Van yesterday that Karel Van Miert and Dominique Strause-Kahn, France's economics, finance and industry minister.

The plan requires sales of FFr690bn of Crédit Lyonnais

leagues' approval for the res- assets in France and the rest of Europe as well as in the US The identity of the assets to and Asia, by reference to 1995 Germany subsidiaries are among those to be sold.

Crédit Lyonnais must be privatised by October 1999, and restrictions are being placed on its growth over the next few years.

More than 2,000 employees of the bank demonstrated in Paris yesterday to protest at the rescue plan and called on France to reject it. They argued that it offered no guarantee of job protection.

However, union leaders leaving a meeting yesterday with an adviser to Lionel Jospin. the prime minister, indicated that the French government

Opel chief Herman expected to resign

By Hisig Sknonian in London

David Herman, chairman of Adam Opel, is expected today to announce his resignation in a further top management change at the international Mr Herman is expected to be replaced by Gary Cowger, former head of GM's Mexican subsidiary, who was trans-

bead of manufacturing at GM Mr Herman, an eastern European specialist, will move to a new Moscow-based position, running all GM's operations in the former Soviet

ferred earlier this year to be

The world's biggest carmaker has a small joint venture in the autonomous republic of Tatarstan, and has been in long-running talks on a much more ambitious scheme with Russia's largest car com-

pany, Avtovaz. The changes have still to be approved formally by Opel's supervisory board next month. However, they have been widely foreshadowed, amid growing concerns at GM's Detroit beadquarters about declining profitability and increasing publicity about management frictions in

Ешгоре, announced it was transferring the headquarters of its international operations to Detroit from Zurich. The international HQ had been moved to Switzerland from the US in 1992 as part of the group's globalisation drive. Recently, however, GM's top US-based management has wanted closer control over its international

The appointment of Mr Cowger had been expected in and his reputation as a tough production man intent on cutting costs led to stiff opposition from Opel's workers, who are represented on the compa-

ny's supervisory board. Rising speculation about Mr Herman's replacement led the company to take the unusual step of announcing in advance that personnel issues would not be discussed at the March supervisory board meeting.

However, it was widely understood at the time the issue had simply been postponed pending a cooling off period before the issue of Mr Herman's succession was once

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BARRY RILEY

Mind the pension gap

What might be called pension fund capitalism is an inadequately explored subject It may not be a coincidence that rapid growth in US retirement assets (now worth some \$7,000bn) has paralleled the past decade's renaissance of US capitalism. Right now, too, US and UK

institutional funds are playing crucial roles in the transformation of the European corporate sector, in the absence of comparably significant Continental participants. Maybe, too, the relative absence of strong domestic pension funds partially explains the plight of Japan and its Asian

It is estimated that pension fund assets will reach \$12,000bn in the top 15 economies in 2000. How should this vast pile of wealth be managed? A new book explores the subject from the viewpoint of two leading pension consultants: Keith Ambachtsheer, president of KPA Advisory Services,

neighbours.

historically depended for their development on trust law, which was exported from the being adapted into 1970s American legislation Fiduciaries must balance the interests of sponsors and different classes of haneficiaries, and must behave

like a "prudent man". Where

no such fiduciary law exists -

in France or Italy, say - there are no significant vension

Pension funds are not haritles, because they also represent part of the spousors' employment benefit packages. For a typical North American plan 19 per cent of benefits are effectively paid by contributions, 81 per cent out of the long-term investment returns. If the fiduciaries are

zmacceptably. Vital importance is attached by the authors to understanding the pension deal" and "knowing who the pension pian stakeholders are". But a recurring sign of tension is the struggle over the ownership of surpluses. Governments have responded with restrictive legislation. The asymmetry involved may

too cautious the required level

of contributions may rise

Ambachtsheer and Ezra put forward their formula for pension fund excellence. "Prudence", they say, "is process". There must be an executive officer for the plan, and the best professional standards must be defined. Asset allocation is the most important investment decision. and must be given appropriate time for consideration. But how can excellence be

indicates that the typical

besis points a year - or.

shortfall from excellence is 50

discourage plans from building

up surpluses.

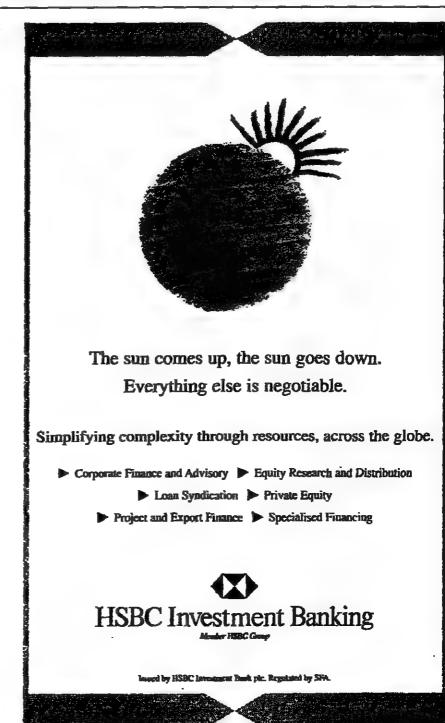
applied to \$12,000bs of global pension funds, some \$60bm annually. This is a deliberately headline-catching figure, however. It might have been better for the authors to have focused also on the relationship between corporate sponsors and their plans. Should the pension funds risks and returns be assessed independently of the sponsor's own balance sheet? Those conflicts, again. Wonderful recent

investment returns have covered the cracks, but the iraditional defined benefit plan is under pressure, not least from rising compliance costs. Hence the rapid growth of defined contribution schem Already, in the US, half of the control of individuals (through 401(k) plans and the like), not fiduciaries

Ambachtsheer and Eara say eapital market weakness could lead to "a sudden and precipitate drop in the popularity of DC plans". But exactly the same could surely be said about the reaction of sponsors of DB plans.

For the time being pensions prosperity continues. Yet paid out of a freak stock market bubble, only out of incremental real wealth. The hook's optimistic conclusion about pension fund capitalism is that, if fiduciaries succeed in creeting value for their stakeholders, wealth will be ortheomine. Pension Fund Excellence.

Wiley. \$51.95



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Toronto, and Don Ezra, who runs Frank Russell's European consultancy. Pension funds have UK to North America before 27-29 measured? The authors recommend the concept of risk-adjusted net value added (RANVA), a formula which

Building groups report heavy losses

By Gillian Tett In Tokyo

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Japan's largest construction companies yesterday results. reported heavy losses because of restructuring efforts and falling asset

The results will fuel conthe sector, where large losses are believed to threaten the financial health of the country's banks.

Kajima, Taisei and Shimizu

that last year's poor economic climate had hurt their

Kaiima, one of the country's largest construction groups, forecast an extraordinary loss of Y210bn (\$1.54bn) in fiscal 1998 cern about the strength of because of restructuring. This will push it into a Y180bn parent net loss in the year to March 1999.

Shimizu, the country's Big companies such as largest general contractor,

holdings and a Y47on writeoff of cancelled construction projects.

Taisei reported Y141.29bn extraordinary loss in fiscal 1997 that pushed the group into a Y112.27bn net loss. This was related to the sale of non-performing property, write-offs of debt receivable and the liquidation of lossmaking busi-

in fiscal 1997 because of construction industry by Y20.29bn of losses on equity raising the level of public investment projects.

However, many groups are weighed down with bad loans incurred after the collapse of the 1980s' "bubble" and revenues are falling in the stagnant economy.

Moody's, the US credit rating agency, yesterday warned that it was considering downgrading some construction and financial cent to Y20.38bn, with sales falling 5.6 per cent to Y1,513bn. Net profit plunged 40 per cent to Y6bn.

The company announced a three-year restructuring plan to accelerate property sales and liquidate unprofitable units. It will cut the workforce by 1,000 over the next three years from the present 13.550.

Parent sales at Taisei fell 12 per cent to Y1,385bn

It reported a Y45bn net loss ulus package to boost the recurring profit fell 19 per Annual pre-tax profit was Y25.26bn, 3.3 per cent lower than the previous year

Shimizu reported a 9.8 per cent fall in pre-tax profits even though sales rose 0.2 per cent to Y1,474bn.

Obayashi, another large construction group, reported a parent pre-tax profit of Y23.72bn in 1997, 19.4 per cent lower than the previous year. Sales fell 3 per cent to

For the current year, it forecasts a parent pre-tax profit of Y23bn on sales of

forecast a Y140bn parent net stocks because of Japan's because of the weakness of The government recently economic weakness. housing demand and cuts in are thought to be healthier loss in fiscal 1998 after simi-Kajima reported that 1997 public works spending. announced a Y16.700bn stimthan their smaller rivals, but lar restructuring measures. Further cut in

By Louise Lucas in Hong Kong

Standard & Poor's, the US credit rating agency, has the Hong Kong infrastructure and property conglom- some companies. erate, for the second time in

Wharf has also been given a negative outlook by the

which Whart's high property exposure makes it vulnerable, but also reflects slower than expected progress in the lossmaking cable television and telecommunica- grade from A.

Hong Kong's property and stock markets have borne the brunt of the territory's which remains pegged to the was only US dollar after the round of in 1997. regional devaluations. Wharf's investment proper-70 per cent of net earnings, are mainly in the worst-hit

retail and office sectors. S&P said the slowdown in Hong Kong had hit Wharf's to reduce gearing by adjusthistorically conservative ing capital spending, being financial profile, resulting in more conservative on diviweak cash flow coverage and dends, and disposing of nona substantially higher level core assets

By Paul Abrahams in Tokyo

Mateushita Electric, the

Japanese electronics group.

plans to increase the proportion of European sales man-

ufactured locally from one-

third in 1993 to two-thirds by

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of borrowings as interest

Wharf's ratings

rates have risen Obtaining funds in the current environment, with downgraded the long-term Japanese and other banks ratings of Wharf (Holdings), seeking to reduce lending, is also posing problems for

> from A- to BBB+, follows the February one-notch down-

Yesterday, the ratings agency said return on Wharf's permanent capital, even excluding half of the defence of the currency, asset revaluation reserve, was only about 5 per cent

Whart says that a number of banks attempted to leap on a recent US court move to ban dealings with banks with US links - a temporary The downgrade is attribut- order made as part of an able in part to the economic ongoing legal suit over an slowdown in Hong Kong, to alleged breach of contract with a US company - as an excuse to recover loans. The current downgrade.

"Although Wharf has a sizeable investment portfolio ties, which contribute about on hand for disposal, its financial flexibility is constrained by thin cash reserves," the agency said. Management was seeking

meeting local consumer

the end of the decade.

Selnosuke Kuraku, managing director of Matsushita

with the Financial Times.

Selnosuke Kuraku, managtion in the European coninvestments would become

Electric Europe, said his sumer electronics market in profitable by the end of the

demands.

company needed to reduce the previous year, Europe

imports from Asia because accounted for about 10 per

of transport costs and the cent of Matsushita's turn-

need to be more flexible in over of Y7,875bn (\$56bn).

The company, which recent investments in east-

announces full-year results ern Europe have yet to break

today, saw a double-digit even. These include a bat-increase in European sales tery plant in Foland, a col-

in the year to March 31, Mr our television factory in the

Kuraku said in an interview Csech Republic and a compo-

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The company expected

Operations in the region

were profitable, although

Next year's European sales

were also expected to expand at a double-digit rate. This,

income would rise to Y15bn this year, on sales up 9.8 per cent at Y510bn.

would be achieved by addi-

said Mr Kuraku. Currently.

only about 50 per cent of

Matsushita's European sales

were digital, he added.

than new investments.

The result was also helped by an improvement in its liquid crystal operations and the week yen. Watch sales, which rose nearly 50 per cent. accounted for 32 per cent of

per cent yesterday at Y1,305.

Kimihide Takano, electronics analyst at Dreedner Kleinwort Benson. said the trend toward multiple weich ownership - which has buoved G-Shock sales would support short-term

Casio's shares closed up 10 market, but that international sales could drag down profits

in the future. Casio siso announced that It was changing its articles of association to buy back up to 72.5m of its sheres, equivalent to 26 per cent, and said it would maintain its dividend at Y12.5. Picture: Fergus Wilkie

NEWS DIGEST

TELECOMMUNICATIONS

Cost-cutting and rising baht lift Thai groups

That telecommunications companies reported sharply higher first-quarter profits, attributable to the recent appreciation of the Thai bant, but analysts said operating results at some companies were boistered by cost cuts that could furt revenue later in the year.

Total Access Communications, Thailand's second largest mobile telephone network operator, said net profit grew more than tenfold year-on-year to Et10.1bn (\$256m). Although foreign exchange gains accounted for Bt9.4bn, the company achieved net operating profit of Bt526m in the quarter. That compared with a loss of Bt92m the previous quarter, but was

down 43 per cent year-on-year. Analysts said the company's average revenue per line was falling but the company had cut costs by 37 per cent from the previous quarter, mostly by eliminating marketing promotions, which could affect annual subscriber growth.

United Communication Industry, parent company of Total Access, said its first-quarter net profit increased more than 16 times to Bt7bn. Advanced Info Service, Thalland's leading mobile telephone

network operator, said first-quarter net profit increased 92 per cent year-on-year to Bt1.74bn, with foreign exchange gains accounting for Bt983m of those profits.

AIS saw its operating profit fall 19 per cent to Bt757m on flat revenue, while costs increased. Shinawatra Computer & Communications, perent of AIS, said its net profit increased nearly 10 times to Bt3.8bn. TelecomAsia, which operates a fixed-line network in Bang-

tok, swung to a first-quarter net profit of Bt8.7bn, from a loss of Bt440m last time, Foreign exchange gains amounted to Bt9.3bn and the company earned Bt428m from a sale of Core operations made a pre-tax net loss of Bt1.05bn, a 37

per cent improvement. Mentil Lynch noted that the company cut its promotion expenses from Bt255m the previous quarter to Bt19m. It also saw its interest costs decline 18 per cent. That Telephone & Telecommunication, the fixed line operator in the provinces, lifted net profit from Bt44m the same period a year ago to Bt2.6bn. Ted Bardacke, Bangkok

ELECTRONICS

Bandai returns to profit

Bandai, the Japanese electronics group that makes Tamegotchi electronic pets, yesterday announced a return to profit after last year's heavy provisions for pulling out of an internet games machine.

Consolidated net profits were Y1bn (\$7.3m), compared with a loss of Y7.98bn on sales 44 per cent higher at Y288bn. In the previous year, Bandel ennounced an extraordinary loss of Y27bn to cover the closure of a joint venture with Apple, the US computer group.

The company predicted profits in the current year would reach Y3bn on sales down 15 per cent at Y250bn as enthusieem for the Tamencichi wanes.

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The results were announced after the market had closed, and the shares ended up Y9, or 0.5 per cent, at Y1,910. Since April 1996, the shares have fallen more than 55 per cent. Paul Abrabama, Tokyo

Pioneer more than doubles

Pioneer, the Japanese electronics manufacturer, more than doubled net earnings last year after a weak performance the year before. The company expects profits to double again this

It also ennounced it would revise its articles of essociation to allow it to buy back 47m - or 26 per cent - of its 179.6m shares, at a meximum cost of Y70bn, to improve its return on equity. It would pay an annual Y7.5 dividend, up from Y5 lest year. The shares closed up 4 per cent at Y2,510 on the news.
Net profits in the current year should be Y12bn, said Ploneer, on sales up 7 per cent at Y800bn. The improvement would be based on predicted expension in domestic and overseas sales, particularly in pleams displays in Japan and cable television boxes in the US.

able television boxes in the US.

The figures were halped by cost cuts resulting from an early retirement programme, lower production costs in Asia and higher export sales because of the weak yen.

Net sales rose only 1.3 per cent to Y560m, mainly as a result of currency gains and car electronics sales. Alexandra Harney, Tokyo

Casio profits tick up threefold advance

electronics and compute group, ticked off a successful yeer as a surge in watch eales, especially the G-Shock digital watch (above), helped ennual earnings treble to

Y11,7bn (\$86m), writes Alexandra Harney in Tokyo.

growth in the domestic Matsushita Electric to lift European manufacturing

This sales drive would to be one of the company's side London.

Festival Cruises

biggest products in Europa this decade. together with the growth in include digital video discs. locally sourced products. The uptake of this technology had been slower than in The introduction of a sintional capacity and productivity at existing sites rather. Kuraku expected a hig pean Union would allow the

would be driven by the new- pared with just 30,000 last products and the change year, he said. from analogue to digital, Other impor Other important products would be DVC Pro - a video product for television studios - and digital television, which was expected

company to centralise its European growth for the half of this year. Sales could treasury operations for the remainder of the decade, reach 350,000 units, com-founding 11 countries. Pretreasury operations for the viously, we had to have reserves in 11 currencies, now we need just one," he said. The treasury would probably be in Amsterdam, even though the European headquarters were just out-

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Offers have to be submitted on or before May 31,1998 for evaluation by ICICI. ICICI reserves the right to accept or reject any offer without assigning any reason. For further details, interested parties may write giving full particulars of their financial/managerial standing along with particulars of their existing activities, volume of business and financial results for the last three years. to: The Zonal Manager, The industrial Credit and investment Corporation of India Limited, 2B Gorky Terrace, Calcutta 700 017.

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Share price stating to the NV Capilli

Higher mobile revenues lift Telecom NZ

That groups

THE REPORT

doubles

PS to profit

Telecom NZ, New Zealand's largest company, yesterday reported stronger than expected earnings for the year to March owing to mobile communications and

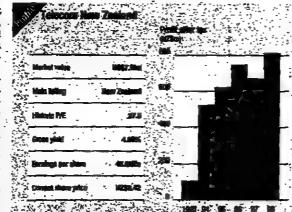
improved cost management. However, the company, warned that growing competition in the domestic market and a slowdown in the economy would present stiff challenges in the year ahead.

Net profit from continuing operations and after charges rose from NZ\$669.2m to NZ\$815.3m (US\$434m), giving a 12 per cent increase in earnings per share. The annual dividend is lifted more than 10 per cent to 43

Analysts, who had forecast a profit of about NZ\$810m, said Telecom NZ had defied predictions that a sluggish economy and growing competition would hit growth.

Peter Shirtcliffe, chairman, said: "Telecom's increased revenues from improved earnings performance has been built on stronger revenues and wellmanaged costs, and has been which was privatised in 1990, achieved against a background of slowing economic growth and continued competitive pressures."

Operating revenue rose 8 per cent after adjustments helped by growth in cellular and other mobile services. Revenue from international calls, however, weakened in the fourth quarter, following the company's cut in international toll-call base rates. Revenue from mobile communications in the quarter



rose 40 per cent to NZ\$112m. executive, said the company NZ\$880m. would continue to contain costs while stressing innovaagainst the termination of tion and revenue growth.

For the year to March 1999, the rollout of fibre-coaxial Roderick Deane, chief analysts expect net profits of cable and the reorganisation included a NZ\$37.3m charge

of the cable television unit. Net profit last year The charge was offset by a NZ\$30m write-back of provi-

groups Kawasaki for motor-

evoles and Kubota for diesel

engines, and with Cagiva, the Italian scooter manufac-

turer. "We do not depend on

our in-house capability, we

import technology from all

telecoms market and expansion of the company's cellular and enhanced network "Our market share has declined in a number of

marketplaces over the last few years as other companies have established a niche...we know we are going to keep losing market share. The trick is to keep growing volumes fast enough to offset the drop in prices and any drop in mar-

expenses have enabled the

company to retain its posi-

tion as the world's lowest

Sangiv Bajaj, Mr Bajaj's younger son, is leading an

effort to cut costs further by

better supply chain manage-

The final ingredient in the

recovery plan is an aggres

sive marketing effort man-

aged by an executive

posched from TVS Suzuki.

Bajaj's "dream scheme" of

low-cost finance will remain

Mr Bajaj hopes the strat-

egy will lever the company's

undisputed strengths - vol-

ume of 1.3m vehicles last

debt, a nationwide brand

and a distribution network.

But he says: "My competi-

tors will not be sitting on their backsides." If neces-

sery, he will use price to win

back market share, "Our

surplus funds will be more

than Rs12bn. If we have to

skip a price increase in one

muscle to do it."

restr, strong cash flow, zero

cost producer.

Pacific Star Group, Tele-

com's Australian operation.

in the previous year, to

June 1997, Telecom provided

NZ\$87.4m for such losses and

also took NZ\$139m in

extraordinary items and one-

off charges.
Mr Deane predicted contin-

ued growth in New Zealand's

NEWS DIGEST

INVESTMENT BANKING

Dresdner hires team for new Greater China unit

Dreadner Kleinwort Benson, the German-owned investment bank, yesterday emphasised its commitment to Asian expansion by creating a new subsidiary for Greater China. The unit will be headed by Liping Zhang, who has been hired along with 11 other investment bankers who worked with him at Hong Kong-based Seapower Financial Services Group.

The team had planned to set up their own firm but were persuaded to join DrKB as the core of Dreadner Kleinwort. Benson China, which will focus on China, including Hong Kong, and Taiwan. A former official with China's Ministry of Foreign Trade and Economic Co-operation, Liping Zhang worked for Merrill Lynch before joining Seppower.

Gerd Häusler, DrKS management board chairman, said he expected the new team's enhanced origination capability significantly to increase profitability in the region, where Dreadner has four branches and two representative offices.

Although it has trimmed local staffing in some parts southeast Asia since the crisis began, DrkB's total employment in the region has risen, according to Tim Shackdock, head of corporate finance. Clay Harris, Banking Correspondent

DAJRY PRODUCTS

Yakult upbeat despite loss

Derivatives losses pushed Yakuit Honsha Into the red by Y96.62hn (\$710m) last year, but the Japanese company expects to bounce back this financial year, Yakult, which makes fermented milk drinks and other dairy-related products, reported a slight fall in sales from Y156.4bn to Y149.9bn for the year to March 31 1998, but it sees sales for the current year recovering to Y154bn.

Pre-tax profits fall 6.8 per cent to Y11.5bn, while the net

result fall into a Y96.62bn loss, compared with a Y7.5bn profit, after an extraordinary loss of Y105bn from derivatives trading and other securities. For the current year, Yakult

expects a pre-tax profit of Y11bn, and net profit of Y10.5bn. The derivatives losses were incurred in an attempt to deal with securities losses on Yakult's "tokkin" special investment funds dating back to the late 1980s. Yakult has written off the entire loss in the financial year just ended, and is maintaining a Y15 dividend. Bethan Hutton, Tokyo

CURRENCY TURMOIL

Itochu warns of deeper losses

Itochu, one of Japan's leading trading companies, warned that it expected deeper losses because of the impact of the Asian currency turmoli, the downturn in the Japanese econorny and the stock market. Itoohu said group net losses were likely to be Y95bn (\$698m), rather than Y80bn, as previously forecast. The group sales forecast is maintained at Y1,550bn. Itochu has a large number of subsidiary and affiliated companies in south-east Asia that have foreign currency debts to service. Michlyo Nakamoto, Tokyo

Comments and press releases about international companies coverage can be sent by e-mail to International.companies@ft.com

Bajaj tools up for counter-attack on rival manufacturers

Indian group has a new strategy to win back market share, reports Krishna Guha

The statistics make grim reading, India's market for two- and three-wheel vehicles grew 8 per cent last year but volumes at Bajaj Auto - the country's biggest

producer - fell 6.4 per cent. Bajaj is losing market share in every sector. In scooters, where the market contracted 8 per cent, it lost 10.7 per cent, in motorcycles. which grew 16 per cent. Bajaj gained 3.4 per cent; the moped market fell 0.5 per cent, but Bajaj's share fell 25.9 per cent. Even in threewheelers, where the market rose 6 per cent, it recorded only a 5.5 per cent increase.

"In 1997-98 I lost volumes and I lost market share." says Rahul Bajaj, chairman of Bajaj Auto and one of happened before."

per cent, compared with a of a two-year, Re7.5bn peak of 48 per cent three (\$185m) investment drive.

"are asking questions".

But Mr Bajaj does not have the air of a man about. company's headquarters near Puns ha is implementing the fightback plan, which could determine whether Bajaj retains its leading position in India or becomes another great Indian company to enter a slow but terminal decline. The company's aim is to

win back 45 per cent of the market within three years. The shape this counterattack will take is clear from the wespons Mr Bajaj has India's most prominent chosen. Half a mile from his industrialists. "It has never offices, Bajaj Auto's hightech development unit is All the same, Bajaj's share packed with state of the art, of the two- and three- computer-controlled wheeler market is now 40.5 machine tools - the fruits

The new machine tools are accurate to within five are demanding improved compensate through allimicrons (five-thousandths of years ago. Competitors, led a millimetre). Engineers by Hero Honda, Honda's check the parts through a joint venture in India, are computer linked to an gaining ground at Bajaj's imspection probe made by expense and shareholders. Mistral of France, accurate to one-tenth of a micron.

"These are not dedicated tools, they are flexible, they to concede defeat. At the can take up any part for any model," says Rajeev Agatha, foreman. "To change the part you simply change the fixture – it takes less than an hour to reprogram the computer. The equipment enables

Bajaj to produce to an international standard of quality control for the first time and introduce new models in remonse to demand and new emission controls.

Equally important, Bajaj will be able to respond quickly to rival offerings from its Japanese and Italian competitors. "What happened was our new models stopped coming out," says Mr Bajaj. "But our competitors brought out theirs." India's. increasingly over," he says.

products and Balaj hopes to sinces with foreign partners, meet this demand. "Starting such as with the Japanes from April this year until December 1999 we will bring out 17 new models," he says.

Some will be upgrades of existing scooters and motorcycles but seven or eight will

In order to match its over the world," he says.

stopped coming out,' says Rahui Bajaj, chairman. 'But our competitors brought out theirs'

What happened was our new models

rivals' product lines Bajaj has stepped up its research and development activities it new employs 500 new product designers, compared with 120 five years ago. But Mr Bajaj knows he has a long way to go to match the global giants.

"Houda's annual spend on R&D is more than my turn-

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Baixi has also begun to organise its new product lines around the "cellular manufacturing" principle with a single product flow in place of the old batch sys-

Each assembly line puts

together 210 vehicles in an eight-hour shift of 32 workers, up from 128 in 1990. Greater productivity com-

Fortis AMEV

Extraordinary General Meeting Shareholders

Fortis AMEV my invites her shareholders to attend an Extraordinary General Meeting of Shapeholders: This meeting will be Treid on Friday's June 1998, Semmencing of 10:30 a.m. in the Portis Auditorium, Archimedesiaan 6 In Unacide The Natherlands.

photos and a second Summary agenda Information about the planned acquisition of Generale Bank N.V. by Portis-AQ and about the new Fortis Approved of the new Portle structure.

Amazapility of the

agenda The following documents will be available free of charge from 20 May 1998 from Portis AMEV in Utrecht, MeesPlerson N.V. in Amsterdam, Barclays Bank PLC to London, United Kingdom and Forth Bank Lesembourg in Lesem the addresses listed below:

 the full agends for the meeting; the notice to shareholders concern the planned acquisition of Generale Bank NV and the new Fortis

the report of the Executive Board concerning the new Portis structure

> Attendance at the meeting

Holders of registered shares may attend the meeting provided they notify Fortis AMEV of their intention to do so in writing no later than Friday 29 May 1998.

Holders of depository receipts for shares

may attend the meeting provided they indge their receipts - or proof that they have lodged their depository receipts at the offices of a company that is a member of the Amsterdam Exchanges N.V. - no later than 29 May 1998 at the head office of MeesPierson N.V. in Amsterdam. Barcleys Bank PLC in London, United Kingdom, and Fortis Bank Lucembourg to Lucemburg, at the addresses listed below.

Stareholders and holders of depository receipts for shares may also be represen by pracy, in which case in addition to the thents for approducte as stipulated shove, the written proxy must be received. by the company no later than 29 May 1998.
Additional information

Those who have given notice of their strengtion to attend the meeting will be sent directions in advance on how to reach the Forth Auditorium. For further information, please contact

Forth Group's Company cations departmen telephone number 31 (0)30 257 65 48.

The Executive Board.

Utrecht, 19 May 1998

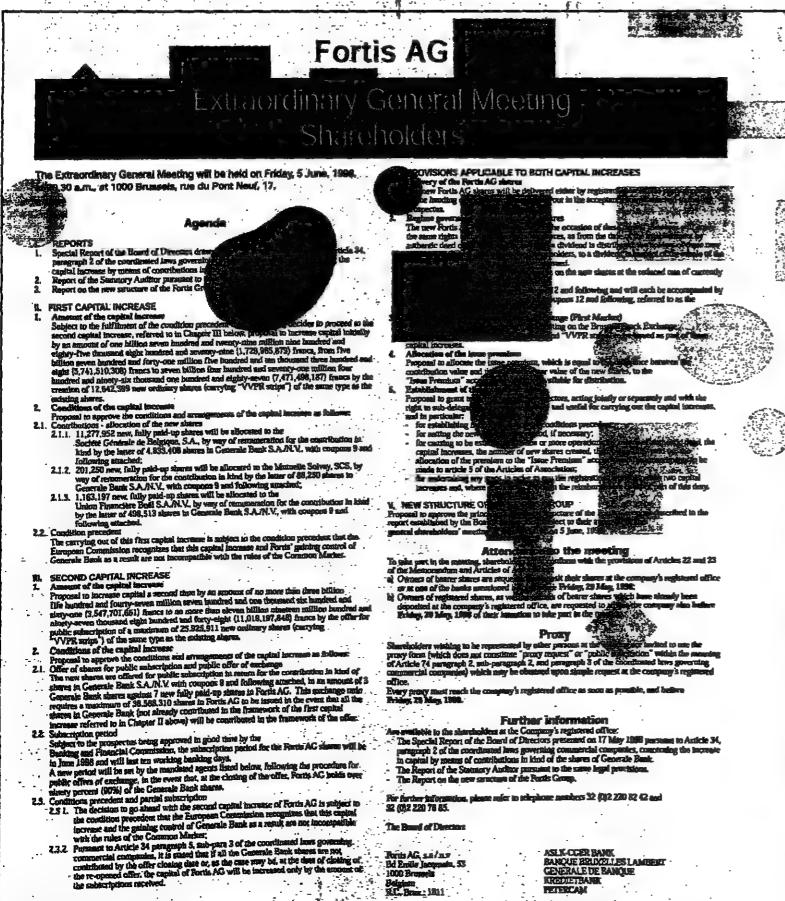
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CHEMICALS

BASF wins approval to buy back 10% of shares

BASF yesterday won shareholder approval to buy back up to 10 per cent of its shares, as the German chemical and pharmaceuticals company warned that falling oil prices had hit revenues in the first quarter.

The share buy-back could lead to BASF returning up to DM5bn (\$2.8bn) to shareholders over the next 18 months. However, the move depends on the successful adoption of new German laws, expected later this year. The buy-back would be important because German law has until now barred companies from buying back their own shares. It would be a further example of greater financial sophistication among German companies, which have become increasingly keen to boost shareholder value.

BASF said yesterday that pre-tax profit rose 13.3 per cent in the first quarter, to DM1.3bn. Sales rose 7.4 per cent to DM14.4bn. Volumes climbed, but prices fell by about 3 per cent, mainly because of weakness in crude oil. BASF has campaigned for the freedom to buy shares so that the company can compete on equal terms with international rivals. A string of German companies, including Metaligeselfschaft and SGL Carbon have already said they plan to take advantage of the new laws, which are expected to take effect this summer.

At its main shareholders' meeting yesterday, BASF also said it would begin discussions about introducing a stock option scheme for senior management. Several big German companies have begun to introduce such schemes to boost shareholder value and attract International managers. BASF is also considering adopting US accounting standards and lasting shares in the US. Graham Bowley, Frankfurt

GERMANY

Merged bank advances 19%

Bayerische Hypo- und Vereinsbank, the big German bank being formed from the merger of two Bavarian banks, raised first-quarter operating profits before risk provisions 19 per cent to DM1.49bn (\$833m). Net commission income advanced 22 per cent to DM847m, helped by the favourable state of capital markets. Securities and custody business, up 34 per cent, accounted for nearly two-thirds of commission

Net interest income was 9 per cent higher at DM2.4bn, mainly reflecting a 12 per cent rise in profits from mortgage business to DM1bn. The interest figure included first-tim contributions from two acquisitions - FGH Bank of the Netherlands and Germany's Norisbank. Trading profits benefitted from buoyant financial markets with an increase of 37 per cent to DM236m. Costs were 8 per cent higher at

The results were announced as shareholders of Bayerische Hypotheken- und Wechselbank yesterday approved the Ambrew Fedler, Frankfurt

INSURANCE

Alte Leipziger sells BHF stake

Alte Leipziger, the German Insurance company, has sold a 8.6 per cent shareholding in BHF-Bank, the medium-sized Germen bank which was the subject of takeover speculation last year. The shares were placed in the market by J. P. Morgan, the US investment bank, after Alte Leipziger took advantage of the rise in the BHF-Bank share price to sell its 5.8m shares in a block trade to raise DM434m (\$243m).

The shares were bought by German. European and US institutional investors at DM75 each. At the end of last year, they stood at DM51. Andrew Fisher

BANKS

NBG offer oversubscribed

National Bank of Greece, the country's biggest, said yesterday its global offering of 2,5m shares was three and a half times subscribed. The share price was set at Dr46,900 following a book-building process at the weekend.

Theodore Karatzas, NBG governor, said the price "was up to expectations, while the placement has put the bank on the international investment map". The issue raised Dr117.2bn (\$379m) for the finance ministry, which will be used to write down government debt. NBG's share jumped 4.5 per cent in heavy trading yesterday to close at Dr51,995.

The offering was revived after the Athens stock exchange soared to record heights in response to Greece's entry to Europe's exchange rate mechanism. After being scheduled for last November, it was postponed as confidence collapsed in

The state's shareholding in NBG has been reduced from 51 PER cent to 41 per cent, with International institutions holding 18 per cent, Merrill Lynch and SBC Warburg Dillon Read were joint global co-ordinators for the issue, while HSBC Investment Banking acted as co-lead manager. Kerin Hope, Athens

RETAIL

Blue Square rises 5%

Blue Square, Israel's largest retail group, yesterday reported a 17 per cent rise in sales and a 5 per cent increase in net income for the first quarter. Sales rose to Shk1.23bn (\$335m), while net income climbed to Shk24.1m. Net income last year included a one-off capital gain of Shk5m related to the exercise of warrants in a subsidiary. Revenues from supermarkets rose 16.7 per cent and from speciality stores, 18.5 per cent. This was against 1.2 per cent growth for the quarter in Israel's aconomy. Judy Dempsey, Jerusalem

UTILITIES RISE IN CROSS-BORDER ACTIVITY AS IVO AGREES MERGER WITH STOCKHOLM ENERGI AND EASTERN GROUP PLANS FINNISH BUY Nordic power deals intensify shake-out

The shake-out of the Nordic power market intensified yesterday when Finland's lmatran Volma won a merger battle in Sweden and Eastern Group, of the UK, appeared poised to buy a arxe stake in a regional innish utility.

in a deal worth SKr4.9bn (\$628m), IVO is to merge its wedish subsidiary with Stockholm Energi, the counry's third largest generator. Separately, Eastern has

acquire a minority stake in Savon Voima, based in eastern Finland, for an undisclosed sum. The deal may also include an option to acquire a further stake at a

dimension in the restructuring which has swept the Nordic power market following its deregulation in 1996. Large international utilities such as Blectricité de

Both deals highlight an increasing cross-border

France and PreussenElektra of Germany have already established a presence in Sweden. Eastern would be the first non-Nordic utility to enter the Finnish power generation market.

The IVO-Stockholm Energi tle-up creates a group with combined pro forma annual turnover of SKr129hn, lifting it close to the size of Sydkraft, Sweden's secondlargest energy group.

Kalervo Nurmimāki, IVO chief executive, said: This merger will create a third bloc in the Swedish energy market and will give us the right size to be really com-

ment. IVO will in effect pay SKr4.9bn to Stockholm's controls Stockholm Energi.

The two parties will control a new joint venture incorporating Stockholm Energi and Gullspang Kraft, IVO's Swedish unit. IVO sald it would withdraw SKr1.5bn from the combined companies' balance sheet, while Stockholm municipality would remove SKr6.4bn.

Yesterday's tie-ups constitute a double blow to Sweden's Vattenfall, the domi-

petitive." Under the agree- nant Scandinavian power Vattenfall for Savon Voima was spurned last year. Last month. Vattenfall

launched a SKr20bn bid for IVO's initial merger proposal was scuppered by political divisions within the city. Those divisions centred on

a demand by the controlling Social Democratic party that the city retain a 50 per cent holding in the merged company for four to five years.

utility, which is striving to however, after the SDP won augment its presence in the a guarantee from other politmunicipal authority, which region. A SKr1.5bn bid by ical parties and IVO for the city to keep a 50 per cent stake in certain key services, particularly district heating for 15 years following any Stockholm Energi after sale of its stake in the joint venture. The merged group will have \$10,000 customers. Estimated synergies were put at SKr3bn annually

within four years. IVO was advised by Salomon Smith Barney and Stockholm Energi by Merrill

PolyGram

considers

Seagram

Philips, the Dutch consume

electronics company, will today decide whether to

accept a \$10bn-plus offer for

PolyGram, its music and

film subsidiary, from

Seagram, the Canadian

drinks and entertainment

Seagram yesterday submit-

ted an outline offer of cash

and shares to Philips for its

75 per cent holding in Poly-

Gram. The Philips board,

advised by Goldman Sachs,

will discuss the offer at a

1 th

board

offer

By Alice Personant

Recording world in turmoil as merger theme swells

Seagram's planned takeover of PolyGram comes amid a general slowdown in global music sales, writes Alice Rawsthorn

Ation, Seagram as purchas to press ahead with a \$10bn-plus deal to become the world's biggest record company by buying Poly-Gram, the Dutch entertainment eroup.

The acquisition folfils the ong-held ambition of Edgar Bronfman Jr, Seagram's president, to establish a powerful presence in the \$38bm nternational music market But he is expanding at a turbulent time for the industry, which faces sweeping changes in structure and

EMI, the troubled UK music group, is unofficially up for sale, which means the future of the three companies responsible for onethird of global record sales is now in doubt, because Seagram's hopes of controlling PolyGram could yet be stymied by an anti-trust investigation in the US.

Warner Music, another of the world's "big six" record companies, is racked by senior management turmoil. And the entire industry faces a slowdown in global sales at a time when consumer taste is increasingly unpredictable, and the growth of digital distribution threatens to destabilise the cosy relationship between record companies and

fter 10 days of negotia- buoyant period since the magazines, radio stations mid-1980s, when record sales and TV channels. Yet few doubled thanks to the growing popularity of compact and the emergence of fertile new music markets in

> Dynamic independent record labels have flourin the US, Beggars Banquet and Creation in the UK, and Japan's Victor and Avex Trax. Yet the chief beneficiaries of rising sales have been "big six", which enhanced their profitability by pooling logistical areas of manufacturing and distribu-

The good times ended in 1996, when European sales slowed and a US price war erupted, forcing thousands of record shops to closbe. The US market rallied last year, only for Asia to falter. Latin America is showing strong growth, but sales there are too low to compensate for the Asian downtorn. Another problem is that

consumers are becoming more fickle. Sales of recent releases by once-bankable stars - such as Janet Jackson, Aerosmith, Paul McCartney, Phil Collins and Bryan Adams - bave fallen below expectations. Record new acts, thanks to the pro-These difficulties follow a ated by hundreds of new which will enable them to own properly protected digi-will be as resilient.

new stars seem able to sus crowded and competitive market, as Oasis, Pearl Jam. Nine Inch Nails and Green Day have discovered.

One consolation is the growing number of teenagers, who are by far the most prolific record buyers (15 to 19-year-olds account for 17 per cent of the \$12bn US music market alone). A new crop of teen-oriented stars has already emerged, including Hanson, Aqua, Natalie ruglia and LeAnn Rimes. Today's teenagers promise

to become a long-term source of record sales by continuing to buy music into middle age, as the first wave of post-war "baby boomers" has done. Yet their buying habits threaten to be even more mercurial, which could create budgeting problems for record labels at a time when marketing costs are es sinting.

There is also a strong probability that the young consumers of the future will prefer to have music delivered directly to their computers via digital distribution systems, such as the internet and high-speed cable TV networks, rather labels find it easier to break than buying it from shops.

Market shart On retail sales (1996 PairCram & Satartii

al systems. Labels may also

increase profitability by selling directly to consumers. But at present, the industry lacks the legal and technical safeguards needed to take advantage of digital delivery, and the process of securing them promises to be long

in the meantime, pirate juke boxes are posting free copies of new albums and singles on the internet. Unofficial estimates suggest that nearly 2,000 digital pirates are already operating worldwide, with scores of new ones launching each month. The industry is trying to crack down on digital piracy, but it threatens to remain a

face opposition from their traditional retail customers, who are likely to object to being by-pass There is also a risk of

musicians cutting out record companies by releasing their own material over the internet, in digital versions of the independent labels launched in the 1970s by acts such as Frank Zappa and The Grateful Dead.

None of these obstacles has dented Mr Bronfman's determination to turn Seagram into the biggest of what, he hopes, will be the and shareholders are waiting subsidiary. Record companies should problem even if record labels to see whether their compamotional opportunities cre- benefit from this trend, succeed in setting up their ny's prospective predators

meeting in Amsterdam The Canadian group, repesented by Morgan Stanley is now finalising proposals to make a separate bid for

the 25 per cent of the shares in miblic issue. Both offers will be discussed by PolyGram's board at a meeting in New York

tomorrow. Subject to clearance by US anti-trust authorities, Seagram plans to integrate Poly-Gram's record labels which include U2, Jon Bon Jovi, Bob Marley, Pulp and "big five" multinational Hanson among their artists music groups. EMT's staff - into its Universal Music

It may sell PolyGram's Los Angeles-based film division, which has absorbed \$1.2bn of investment over the past string of box office hits including Bean, Trainspotting, Pour Weddings And A Funeral and Fargo.

At least one European company is understood to have expressed interest in buying the film business. which is the largest European-owned film producer and

It is still lossmaking but expected to break even next

Selling to a European investor would defuse the risk of Seagram becoming embroiled in a political controversy in Europe if it merged the PolyGram film business into Universal. its Hollywood movie studio.

Edgar Bronfman Jr., Seagram chief executive, has yet to finalise a management structure for the merged music operations. He is understood to have held several private meetings with Alain Levy, PolyGram's French-born president, in New York last week.

Mr Bronfman is believed to be working on proposals for a new structure including both Mr Levy, who is highly regarded for his strategic skills, and Doug Morris, the head of Universal Music, noted for

Bidders show interest in Begemann to Rom Telecom share sale take over Tulip

East Europe Correspondent

Telecommunications groups from the Netherlands Italy and Greece have submitted preliminary bids to acquire a strategic shareholding in Rom Telecom, the Romanian

state-owned operator.
Telecom Italia has joined forces with KPN Telecom of the Netherlands in one consortium, and a rival bid has been received from OTE, the Greek operator.

The Romanian communications ministry said OTE was planning to form a bidding consortium with SBC Communications, the biggest US local telephone company. Deutsche Telekom and Prance Telecom had expressed interest, but have pulled out of the talks.

The transaction is expected to be one of the biggest privatisations in central and east Europe this year. It is a crucial test of the resolve of the new Romanian government, formed last month, to accelerate the country's stalled reform programme.

a stake of 35 per cent to a strategic investor in a deal expected to value Rom Telecom at between \$3.5bn and \$4bn. The government is being advised by Goldman Sachs, the US investment

About 5 per cent of Rom Telecom's equity will be distributed to the utility's 55,000 employees once a strategic partner has been selected. Later, it plans international and domestic share offerings.

All the bidders already have interests in east Europe. KPN is one of two foreign investors in SPT Telecom, the Czech operator, alongside Swiss PTF, and it also has minority stakes in the long distance operator in Ukraine and in mobile telephone operations in Ukraine and Hungary.

Telecom Italia and OTE linked last year to become the strategic shareholders in the Serbian telecoms utility. OTE is the strategic investor in Armenia. SBC is bidding for Ameri- years for a new line.

Romania is seeking to sell tech in the US, which is one of the strategic shareholder in Hungary's Matav.

The Romanian government said final offers would be invited from the two consortia in July, with the decision on the strategic partner for Rom Telecom to be made "shortly thereafter". The privatisation of Rom

Telecom is planned as one step leading to the full libertion of the telecoms sector in Romania by 2003. The strategic investor will have a monopoly on fixed-line services to the end of 2002. The second most populous

country in central Europe. after Poland. Romania offers attractive growth prospects. However, a strategic investor will have to invest heavily to expand and improve the network, which is one of the most underveloped in the region.

Telephone penetration is only about 15 lines for every 100 people, and can fall to as low as 45 per cent in rural areas. There is still a waiting list of up to three and a half

By Gordon Cramb in Amsterdam

Begemann, the Dutch industrial investment group, plans to take over Tulip Computers, which when it month was Europe's sole independent producer of own-brand PCs. Under an agreement in

principle reached yesterday, the brand will live on Production, however, will be in the hands of Ingram Micro, the California wholesaler of technology products. Ingram is to take a long lease on the factory opened by Tulip last year in Den Bosch, the southern Dutch town.

Start-up costs at the plant, which has annual capacity of about 1.1m units, contributed to the company's downfall. Under Ingram it will become the second of five "global integration centres", primarily serving computer re-sellers to which Ingram ships customised and tested

The New York-listed

would be to Memphis, Begemann has agreed with

the receivers that it will fund Tulip's production and entered receivership last marketing costs until June 8. when a deal should be finali-In return, it has exclusive rights to "investigate the

potential for Tulip to continue trading". This shuts

out other potential bidders.

believed to include Vobis of Germany, which wanted only the separately held factory. Tulip's equity position would be strengthened through a share issue giving Begemann a "significant majority holding". This would involve a substantial

dilution for existing share-

holders.

Tulip, founded in 1979, had sales of FI 461m (\$229m) last year, when it bought the Commodore brand from receivership. That took it into the fiercely competitive consumer market instead of ingram, which had sales last the business segment on his close rapport with year of \$16.5bn, said in which it had concentrated.

GUEST.



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FINANCIAL TIMES

Royal PTT Nederland NV

Announcement

with respect to the intended demerger of the mail-, express- and logistics activities to TNT Post Group N.V.

Royal PTT Nederland NV

having its official seat in Growingen and maintaining its registered office at 9726 AE Growingen, Stationaplein 7

having its official seat in The Hagne and maintaining its registered office at 2595 AK The Hagne, Prinses Boatriclass 23 announce that the documents referred to in article 2:334h paragraph 1 respectively paragraph 2 of the Netherlands Civil Code, as well as the additional documents prescribed by law, regarding the demerger by Royal PTT Nederland NV of its past-, express- and logistics activities to TNT Post Group N.V. against distribution of shares in TNT Post Group N.V. to shareholders of Royal PTT Nederland NV, are deposited at the Commercial Registers of Grottingen and The Hague and also at the above mentioned offices of Royal PTT Nederland NV and TNT Post Group N.V.

Board of Management Royal PTT Nedwicaed NV Board of Management TNT Post Group N.V.

Growingen, 20 May 1998

The Hague, 20 May 1998

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Ballard sees little effect from Daimler merger

Mossadiq Umedaly, chief financial officer of Ballard Power Systems, the Canadian group ploneering fuel cell technology. said yesterday that the recent merger between Dalmier-Benz and Chrysler would not significantly affect his company's joint venture with the German company and Ford. Expanding the partnership to include Chrysler would provide additional criti-

cal mass for marketing the fuel cell, he said.

He was speaking as Ballard reported a first-quarter loss of C\$8.2m (US\$688,000), or 35 cents a share, reflecting increased funding for research and development activities. That compared with a loss last time of C\$4.2m, or 28 cents.

Ballard, which has joint ventures with Daimler-Benz and Ford to develop fuel cells, as well as drive and power systems for electric vehicles, said revenues in the quarter fell almost 13 per cent to C\$4.8m. Fuel cell demonstration programmes for buses in Chicago and British Columbia had moved from the construction phase to testing stage, contri-buting to the drop in revenues. Ballard, which formerly produced lithium batteries, has not made a profit since the beginning of the decade, when it focused on the research and development of fuel cells.

The company, which expects to be able to produce fuel cell angines for mass production by 2004, said it had C\$151m in cash and short-term investments at the end of the first quarter. Shares in the company fell 80 cents to C\$164.20 in early trading. Scott Morrison, Toronto

INSURANCE

Allied faces Nationwide suit

Nationwide Insurance Enterprise intensified its hostlie takeover bid for Alfied Group of Iowa yesterday, by filing a lawsuit accusing Alfied's board of "entrenching itself" and "breaching their fiduciary duties".

The legal action highlights some of the corporate gover nance issues which are raised by the bid. Highly unusually, Nationwide, which is mutual, is making a hostile bid for Allied, which has a mutual holding company structure, where the company's shares are floated but a stake is retained by a

According to Nationwide, which has offered \$1.5bn in cash for the public company, and also wishes to merge the two mutual companies, the board of Aliled "wields a virtually is power to control nearly 20 per cent of the voting

It points out that four of the aix members of Alfied Mutual's board are also officers of the quoted Allied Group. It also accused Allied Group of starting a stock buy-back programme as a "defensive response to Nationwide's offer" John Authers, New York

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Charge hits Campbell Soup

Campbell Soup said yesterday that its third-quarter loss of \$90m - giving losses of 20 cents a share - reflected the effect of a \$262m restructuring charge. Last time, net income stood at \$157m and earnings amounted to 33 cents, Excluding the charge, Campbell's samings per share before exceptional items came to 34 cents. This compared with a consensus of analysts' forecasts of 38 cents. Revenues were -\$1.57bn, against \$1.54bn.iast time.

Third-quarter sales of soups and sauces rose 4 per cent to \$1.01bn, with operating earnings, excluding restructuring charges, up 8 per cent to \$243m. Sales in the biscuits and confectionary division rose 2 per cent to \$361m. while operating earnings, excluding restructuring, advanced 3 per cent to

The food service division saw sales climb 13 per cent to \$116m. Operating profits here, excluding restructuring, were up a more modest 7 per cent to \$13m. The restructuring programme is designed to save \$160m a year. AFX News, New York

RETAILING

Home Depot beats forecasts

Home Depot, a fast-growing US chain of do-It-yourself superstores, beat analysts' forecasts of 43 cents for its first quarter, reporting semings per share of 45 cents, a rise of 29 per cent. over last time's 35 cents. Net income for the quarter advanced 30 per cent from \$258.8m to \$387.3m, while revenues climbed 28 per cent from \$5,57bn. to \$7.12bn. AFX News, New York

DuPont ready to open its purse to satisfy biotech vision

US group's acceleration in life sciences has caused a burst of speculation about likely alliances, writes Jenny Luesby

uPont, lately cast as an industry laggard for its tenacious commitment to both chemicals and life ciences, last week brought satisfaction to Wall Street with the announcement that tt is to sell off Conoco, its off

Yesterday, it brought more oy with the \$2.6hm buy-out of Merck's stake in the two companies' 50:50 pharmaceuticals joint venture.

But far from signalling DuPont's acceptance of the gains to shareholders from a break-up of the chemicals conglomerate, these moves are part of a quite different scheme. For what DuPont plans is a glide from chemistry to biology, in which all of its remaining businesses have a role to play, or so it

Under the direction of its youngest ever chief execu-tive, 49-year-old Chad Holliday, who took over seven months ago, DuPont has developed a vision that, if realised. Would leave it without peers in the field of

Mr Holliday aims to expand the group's life sciences division, carved out last month, from 20 per cent of group sales today to 35 per cent by 2002.

In line with this, he has announced a rapid acceleration in life science investments. DuPont is not musual in this. But it does have a larger purse than its rivals, with Conoco alone estimated to be worth more than \$20bn.

This has caused a burst of speculation about likely targets for alliances, with Monsanto touted as an exquisite

viewed as a possible match. which seems more possible. Once at the head of the agricultural biotech pack, Zeneca experienced a change

of heart some years ago and beat a retreat. Its interest has since revived, but it is now questionable whether it can realistically compete with DuPont, Monsanto and Novartis. Meanwhile, it would sat-

isfy DuPont's need to operation, over which it will now have full control for the first time in seven years. The chances of a Mon-

santo tie-up are harder to call. Few believe such an alliance could secure approval from US competition authorities. In agricultural biotechnology, Monsanto specialises in input traits, making plants easier

to grow. DuPont, meenwhile,

traits, making plants taste

better or reducing their satu-

you have created a Microsoft

of the biotechnology indus-

try," says Bill Young, chemi-

cals analyst with Donaldson

Lufkin & Jenrette in New

York, "But never say never.

I am sure DuPont would love

to own Monsanto and it

Sano Shimodo, president

could certainly afford to."

"Put them together and

rated fat content.

Zeneca, of the UK, is also California-based investmen firm, is not so sure. Putting on paper but it would be a match built around biotechnology, an area where corponot just because it is a business based on intellectual property, but more importantly because these busiare still being

Cuch a culture clash Smight be considerable in light of the novelty of DuPont's vision for its bio-

Unlike Monsanto, Novartis and Zeneca, DuPont has no plans to divorce its life science and chemicals businesses. In last month's restructuring it set up two chemicals divisions differentiated, or branded products, which will include busi-

As one industry expert says: 'DuPont is aiming to shift the

basis of the chemicals economy from hydrocarbons to

carbohydrates. Just imagine what that will mean for the

industry's raw materials: renewable, cheaper and clean.

nesses such as Lycra and

leads the field in output Kevlar, and the Foundation rollercoaster of biotechnol-

division, which will hold the

of its chemical businesses,

even some in core areas, will

be sold as the group shifts to

biology. But the group

appears determined to retain

an overall structure that will

see chemicals supplying

both the cash and the mar-

keting skills to expand life

This commitment to cash

aciences.

It seems certain that some

group's bulk chemicals.

counter to industry orthodoxy - shareholders have rewarded transparency in financing life sciences development, through debt or equity. over funding from cyclical lowmargin business But external financing has

> modified soy, and is "actively interested" in similar deals for wheat and corn. struck agreements with both Cargill and Continental to carbohydrates. Just imag-Grains for the processing

does not exist for distinguishing branded products in these markets, so we are constructing it," says Michael Riccioto, head of

Mr Shimodo characterises this element of DuPont's strategy as "a web of structiles and clothing manufactural business relationships" to capture as much value as possible from the farm to the

It now plans to do the

already acquired 20 per cent ical businesses. of seed company Pioneer Hybrid International as a way of getting its seeds to farmers. A 16-year standstill agreement means it is unlikely to buy the rest. But it has bought all of PTI, the soy processor, to expand the

and handling of genetically modified grain.

"The business system just DuPont's agbio enterprises.

market

But there is more. DuPont same in life sciences. On the also sees a role for biotech-

we are going to be able to plants to produce fibres and polymers as well as drugs, it says.

The group already has smart materials in the pipeline, some of them just two take-up of its genetically to four years from commercialisation. Says one starstruck industry expert: "DuPont is aiming to shift In the meantime, it has the basis of the chemicals economy from hydrocarbons ine what that will mean for the industry's raw materials: renewable, cheaper and

> Investors are less excited but they are getting interested. DuPont's refusal to abandon its conglomerate status has seen its rating running well below the S&P Composite index, but since October, and the arrival of Mr Holliday, the share price has risen more than 50 per

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realised without a stumble, it will be years before the DuPont caterpillar truly

of Bio Science Securities, a flow from chemicals runs agricultural side, it has nology in renewing its chem-Kodak and AOL unveil online photography tie-up

in How York

Bastman Kodak's renewed foray into digital photography picked up momentum yesterday as it announced an alliance with America Online, the largest online

News of the venture, which will make it possible for AOL customers to have copies of their photographs delivered to their PCs, helped boost shares in the online company by nearly 5 per cent in early trading, as investors hoped it would provide another source of revenue for the fast-expanding

The alliance echoes recent moves by Eastman Kodak to kick-start its expansion into the digital world. Earlier

By Richard Waters attempts resulted in losses in traditional print form from digital products last year of \$400m and a rethink reflect a partial change of by George Fisher, chairman, about how the company should move beyond the traditional world of silver halide film on which its business was founded.

Under the service unveiled put more emphasis on find-yesterday - known as ing simple ways of transfer-"You've got pictures!" - ring images taken with AOL customers would enter traditional film on to their online account number on a standard Kodak formwhen sending a film to be developed. The pictures could then be viewed online by clicking on a special icon on the AOL service.

Kodak and Intel, which will include a service allowing customers to receive their pictures on CDs, as well as their pictures.

Symantec

joins IBM

marketing

By Paul Taylor

in anti-virus

Symantec, the PC anti-virus

For Kodak, both services direction in its expansion into digital photography, The company has scaled back spending on digital cameras, which capture images electronically, and

Rodak maintains that consumers would still want

prints of their pictures even if they can view them on a vice with AOL will also The scheme is similar to a include a way for users to recent agreement between order reprints or enlargements by e-mail, as well as merchandise such as mugs and t-shirts printed with

CZECH & SLOVAK INVESTMENT CORPORATION INC.

NOTICE IS HEREBY GIVEN that a MEETING OF WARRANTHOLDERS of Casch & Slovak Investment Corporation Inc. (the "Fund") will be hald at 3.30 p.m. Herney time) on 11th June, 1996 at the offices of Robert Fleming Management (Jersey) Limited at Queen's House, Don Road, St. Heller, Jersey JE2 4QD, Channel Islands, ing and, if thought fit, passing the following resolution which will be prop

THAT the Pand be authorised to reduce the number of its issued shares in the stamper set out in the circular ed 18th May, 1998 (the "Circular"), a copy of which Circular is produced to this meeting and initialled by

Ugland House, P.O. Box 309, South Charch Street, Grand Cayman, Cayman Islands, British West Indies 18th May, 1998

ogy investor sentiment.

On the marketing side,

however, the DuPont vision

is clear cut. The group has

repeatedly broken ground

with its marketing efforts

within chemicals, most nota-

bly with its links with tex-

turers and even retailers to

promote and differentiate

(i) Copies of the Circular will be available from this date at the registered office of the Fund or Morgan Cisarunty Trust Company of New York (America: Patricis Duvretux) at Avenue des Arts 35, B-1040 Brustels, Belgium (the "Warram Agent") or Euroclear (America: International Custody Department Telephone: 32 2 224 44 00) or Cedel Bank, société announce, (America: Angels Muredda) at PO Box 1006, 67, Boulevard Grande-Duchesse Charlotte, L-1010 Luxembourg or ING Barring Securities Limited (Attention: Mark Robinson) at 60 London Wall, London BC244 5TQ, England.

Voting certificates for warrantholders, including those warrantholders who do not wish to attend and vote at the meeting and who wish to appoint a proxy, will be issued to warrantholders by Morgan Coaranty Trust Coapany of New York or Codel Bank, so cité anonyme cach at the above address. Voting instructions must be sent to Morgan Guarrany Trust Coapany of New York (Autention: Patricia Davreux) at the above address, so as to acrive no latter than 3.30 p.m. (Jersty time) on 9th June, 1996.

(5ii) Two persons holding woting certificates and representing in the aggregate holders of not less than 50 per cent. of the warrants for the time being remaining exercisable will constitute a quorum for these purposes. To be passed as an extraordinary resolution, a majority consisting not less than three-fourths of the votes must be east in favour of the resolution either in person or by proxy.

CZECH & SLOVAK INVESTMENT CORPORATION INC. NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS THEREITY CITYEN that HE EXTRAGREDINARY GENERAL MEETING of Creek & South love Corporation Inc. (the "Fund") will be held at 3,00 p.m. Clerkey time) on 11th June, 1998 at the offices of Robert Fleming Management (Jersey) Limited at Queen's House, Don Road, St. Helset, Jersey JEZ 4QD, Channel Islands, for the purpose of considering and, if thought St. passing the following resolutions which will be proposed as

Ordinacy Resolutions

- THAT the Fund be authorized to repurchase as own theres in the manner set out in the circular dated 18th May.
 1998 (the "Circular"), a copy of which Circular is produced to the meeting and installed by the Cizatrana for the purpose of identification.
- THAT the proposed incensive scheme and the proposed amendments to the investment management agreement of the Pand each in the form produced to the meeting and initialled by the Chairman be and are hereby approved and that the directors of the Fand be and hereby authorized to take any action as they consider the produced to take any action as they consider

Registered Office: Ugland House,

By order of the Board Joka Frederick Dyke

P.O. Box 309 Grand Caymun, Cayman Islands, British West India

(i) Copies of the Circular will be available from this date at the registered office of the Fund or Morgan Guarasty Treat Company of New York (Agention: Patricia Davrena,) at Avenue des Arts, 35, B-1040 Brussels, Belgium (the "Staure Agent") or Euroclear (Amenion: International Custody Department Telephone: 32 2 224 44 00) or Codel Bank, société agonyme, (Attention: Angela Muredda) at P.O. Box 1006, 67, Boulevard Grande-Ducheste Charlotte, L-1010 Luxembourg or INO Baring Securities Louised (Attention: Mark Robinson) at 60 Landon Wall, Landon EC3M 5TQ, Sagland.

Voting contilicates and, for shareholders who do not wish to attend and vote at the meeting and who wish to appoint a prosy, voting instructions will be issued to shareholders by the Fund or Share Agent upon deposit at the registered office of the Fund or the office of the Share Agent of either (i) bearer certificates representing antiquery shares in the Fund or (ii) a certificate from a bank to the effect that such bearer certificates have been entingry shares as the Fund of (a) a certificate from a bank to the effect that such between certificates have been deposited with it and they are highly to the order of the Share Agent until after the time as which the instructions are given may be exercised or (iii) a notice that Cedel Bank, societé attanyme or the Eurochea System has been unstructed to hold such betwee certificates to the order of the Share Agent before 3.00 p.m. (Jersey time) on 9th May, 1998. Voting instructions must be deposited at the offices of the Share Agent (Attention: Patricia Davieux), or scal by leased Telex or SWIFT to the Share Agent (Attention: Patricia Davieux) on 9th May, 1998.

(iii) Two members present in person or by proxy and entitled to vote will constitute a quorum for all purposes. To be pessed as an entitiony sensitation, a majority of votes must be east in favour of the resolution either in person

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hı a related move, intel. would incorporate IBM's Intel's LANDesk network between 10 per cent and 14 management products.

Deere reaps benefit of strong US farm sector

software market leader, and International Business Machines are to jointly mar ket a new family of antivirus products aimed at the corporate market under the Norton AntiVirus brand. Under the terms of the sereement announced vesterday, Symantec will license IRM's "immune sysem" technology and combine it with its own technology to produce a range of new products designed to support secure electronic

IBM, which has assigned its existing anti-virus customer contracts to Symantec, will recommend the new products to its corporate customers and the two companies will sell and market them worldwide.

Symantec's existing antivirus products are mainly aimed at the retail market, and the link with IBM should help the software group to expand its customer base in the corporate market.

"This will help build our position in the corporate world," said Gordon Eubanks, Symantec's chief

By Midd Yaft in Chicago

A solid US farm economy helped John Deere, the US manufacturer of tractors and agricultural equipment, to beat analysts' expectations comfortably when it announced after-tax profits of \$365.2m for the second quarter to end-April The result translated into

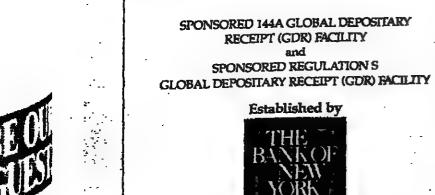
fully diluted earnings per share of \$1.45, up from \$1.24 in the same period a year earlier and well ahead of the average \$1.40 forecast. The second-quarter profit

was scored on sales 16 per

cent higher at \$4.07bm, bringing the total for the first six months to \$6.92bm. Profits for the first half of the year now stand at \$566m, a 15 per cent improvement on the same period a year ago. Deere said that it had seen "strong retail demand" in its

core domestic market, and overseas sales had remained at "favourable levels" although these were affected by currency movements and had been slightly lower than in the previous year. "Overall, fundamentals of

the farm economy are sound and the demand for farm equipment is expected to remain favourable," Deere commented. It predicted an increase of between 10 per the US chipmaker, said it | cent and 12 per cent in sales volume for 1998 overall, with anti-virus technology in third-quarter volumes up by



British Biotech chief executive resigns

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Keith McCullagh is to resign as chief executive of British Biotech in the wake of investors' concerns that the comresponse to damaging disclosures by the head of clinical trials, who was sacked last

Mr McCullagh fired Dr his concerns about the prog-ress of drug trials with

to accusations that the com- shareholders to consider external advisers" pany, formerly the flagship of the UK biotechnology sector, had deliberately misled shareholders with overoptimistic statements on the tripany mishandled its als, which are vital to commercial success.

British Biotech's unwillingness to counter the suggestions infuriated investors. Perpetual, the investment manager with a 9.5 per cent

removing Mr McCullagh. The company said Mr McCullagh would step down at the annual meeting on

September 23. John Raisman, chairman of British Biotech, said: "He has done nothing dishonourable; he judges it in the best interests of shareholders."

Mr McCullagh said he reversed a decision to stay stake in the company, on "in the light of consultaress of drug trials with suggested it might seek an tion with colleagues on the investors. His disclosures led extraordinary meeting of board, shareholders and

ance" with a big US pharmacenticals company to sell its blockbuster anti-cancer drug marimastat, which is still at trial stage, in the US market. Directors said the alliance could include a partner taking a stake.

The company, which had been attacked by Dr Millar for "extravagant" spending

The company also said it staff redundant as part of a was seeking a "strategic alli- review that predated his dismissal. Combined with a hiring freeze, this will reduce the head count by 14 per cent from a peak in February of 450. Malcolm Fallen, It said "exploratory discus- finance director, said future sions" began this year. costs would be far lower than analysts' forecasts. The company had cash of £132m at the end of April, expected

to fund operations for at least three years. The company yesterday down at 59n.

Roadchef, the UK's third

largest motorway service

station operator, was yester-

day sold to the principal

finance arm of Nikko Europe

for £174m (\$290m) including

debt, compared with initial

The deal will leave Road-

chef's largest shareholder,

Tim Ingram Hill, with

275.2m of cash and an equity

stake in the buy-out

company valued at £12.5m.

It follows Nomura Interna-

tional's principal finance acquisitions of William Hill,

the betting group, and Inn-

trepreneur, the largest

Nikko won an aggressive

auction, with other inter-

ested parties including Gran-

National Express and Cinven. It ended in a bettle with

fellow Japanese investment

bank, Nomura International.

for Nikko's principal finance

group, which was set up by a

group of people from

Nomura last year. It is

understood Nomura had initially put in an offer of

2179m. but subsequently

reduced its bid. Sources

close to the deal said they

had miscalculated on

Nikko's offer.

This is the first big deal

Compass, Asda,

owner of UK pubs.

expectations of about £150m.

Nikko Europe

wins auction

for Roadchef

to shareholders intended to disprove suggestions of wrongdoing against the board prompted by Dr Millar's disclosures. Bob Yerbury, chief investment officer of Perpetual, said his worries about the company were largely assuaged by the circular, the cost-cutting and the impending departure of Mr McCullagh. The shares rose 4 per cent in early trad-ing but closed 5 per cent

director of Nikko's principal finance group, said his team

had done extensive due dili-

gence, including examining environmental liabilities.

These had been suggested as

another reason Nomura reduced its offer, but he was

adamant they had found

Nikko is taking the exist

ing management, which

bought out Roadchef in 1983,

and will retain 25 per cent of the new company. "We will provide capital, and struc-

tured finance products, and

they will provide the vision

on how to expand the bust-

The Japanese bank plans

to refinance a portion of its

acquisition costs by issuing

asset-backed securities, in

This will follow the pat

tern set by Investoorp, the

Bahrain-based investment

group, which paid 2476m for

Welcome Break, the UK's

second-largest service sta-

pared with those of Welcome

three under development.

last year.

three or four months' time.

ness," said Mr Howard.

little cause for concern.

COMMENT

British Biotech

British Biotech

A salvage operation is at last in full swing at British Blotech. Keith McCullagh is resigning as chief executive - not that he is admitting to anything, even over-optimism on drugs' prospects. Still, one must assume a new face will carry more credibility. A refreshingly conserva-tive tone has been introduced into the account of ongoing trials. And the company that once wanted to go it alone in North America is now actively seeking a big brother

partner: it badly needs ent from an industry bastion. As for the whistle blower. Andrew Millar, he will not be a candidate for the chief executive's job. As usual in such assaults, the value of exposure has been diluted by damage to the company's

reputation. Investors now have only themselves to blame for any more over-exuberance about the stock.

Ti Group

And another one bites the dust. TI's gobbling up of engineer. ing minnow EIS continues the recent trend of unloved small companies leaving the market through bids and buy-outs. EIS shareholders may have bowed out with a 46 per cent premium to Monday's price, but that is only partial compensation for the engineer's 54 per cent underperformance over the past five years. At 0.6 times 1997 sales and 9 times operating profits, TI Group has hardly overpaid. The market's reaction in taking the shares down 3 per cent seems rather churlish.

Indeed, since EIS's two businesses have operating margins of about 7 per cent, compared with TT's 13 per cent, there is plenty of room for improving returns in the medium term. Furthermore, the strategic fit is excellent, offering Ti probably greater synergies than available to other potential bid-ders. EIS's aerospace businesses will bolster Dowty, which has looked rather thin following the recent sale of its stake in Messier-Dowty.

But most interesting will be the next moves of TI's fluid technology business, John Crane. Strengthened with some 2200m of sales from EIS, Crane is hankering after Vicker's Kamewa propulsion business. If TI wants to shake off lingering market doubts about its new management, prising loose this jewel in Vickers' crown would be an excellent start. With new faces at Vickers too, this should not be ruled out.

British Energy surprises

By Ykginia klersh

the past two years.

British Energy, the nuclear generator, yesterday unveiled better than expection group, and financed it through the bond market ted results for last year and Mr Ingram Hill said Road-chef had been held back by surprised the market with a 10p special dividend. It also its financial resources, comsaid it was looking at restructuring its balance sheet after eliminating some Break and Granada. The £700m (\$1.17bm) of debt over group operates 12 sites, and

Pre-tax profits trebled to £191m (£61m) on sales of £1.95bn (£1.87bn). Analysts suggested the

company, which is seeking to buy back up to 10 per cent of its sheres, could return cash to shareholders and expand in north America. Mike Kirwan, finance

director, said the dividend related to revised contracts with British Nuclear Fuels.

ABPorts bid for American Ports

Associated British Ports, the UK's largest ports operator. yesterday launched an agreed bid worth £106m (\$177m) for American Ports Services, a London-listed company which operates car terminals at four US ports. ABPorts is offering 190p cash for each APS share. This represents a premium

of 15 per cent to the closing

the day before the companies announced they were in Brothers.

Shares in APS climbed 61/4p to 186p, while shares in ABPorts fell 2p to 365p. APS directors have agreed to sell their 4.4 per cent

stake to ABPorts. Jacobs Holdings, the shipping and ports group which has a 10 per cent stake, said it intended to accept the bid. price on Wednesday May 6.

The deal is ABPorts' second move since completing a

strategic review in March. On Monday it announced the nurchase of Exxtor, a private company which owns a roll on-roll off terminal at Immingham, Humberside, for £15.8m.

APS operates six specialist terminals in the US which ABPorts is being advised handle the import and by Dresdner Kleinwort Ben- export of cars. It recently

son and APS by Close entered a joint venture to develop a seventh terminal at Zeebrugge in Belgium. APS also manages two US

The company, floated

three years ago, warned in December that profits would fall after car exports through its Californian facility at Benicia slowed because of the Asian financial crisis. It reported a fall from £7.2m to £6.3m for 1997 on sales 33 per

RESULTS											
	Tuniner (bil)			r-tax it (Em)		9 (p)	Current payment (p)	Date of	Dividenda - Corresponding Gwidend	Total for year	Total les
perdong Asset if mitte to Mer Ji's	22.7	(10)	3.894	(3.28)	1.74	(2.69)	1.5	July 1	1.25	-	3.75
ristord 0 mits to Min 25	291.3	(261)	21.7	(38.9♥)	13.4	(24.1)	3.2	June 17	2	-	6.5
ancote of Yr to Dec 31 ★	1.79	(0,139)	0.7621.4	(0.163L4)	4.31L	(1.05L.)	• ``	-	-	-	-
Mish Energy Yr to Mar 31	1,954	(1,896)	275₩	(532 4)	28.6	(71)	9.8"	July 28	9.1	14.7	13.7
scikland lovs &	-	(-)	D.034L	(-)	2.48	(·)	-	-	-	-	-
ere UK	18.5	(12.4)	2.41	(1,92)	4.5†	(3.81)	0.5	July 1	9.4	-	1.25
resterfield Properation. Yr to Dec 31	44.5	(37.5)	3.69	(1,78)	17,49†	(11,3 9L)	9		9	13.4	13.4
KINDASS 6 MITTE IN MAY 29	2,013	(1,718)	67.8	(56.4)	14.6†	(12.9)	3.5大	Aug 28	83	-	9.8
enes 6 mins to Mer 31	4.16	(4.04)	0.536	(0.1131)	q, p_0	(CLIEL)	•	-	-	-	-
desprise inco 8 miles (i) Mar 31	35.0	(23.6)	6.75 ¢	(6,16)	B,2	(9,9)	2.8	July 3	2.5	-	7.5
encells i miles in Mar 27	474.3	(\$57.7)	65.5	(57.84)	17.85	(15.65)	7.2	July 3	5.7	-	16.71
iphira Yr in Mar 31	75.5	(10)	2.5	(1.06)	10.9†	(8.7)	8.0	July 22		1.2	
zelock 6 mits to Mar 28	24.3	(22)	2.09	(3.07)	5.9	(8.5)	3.4	July 16	3.4	-	11.3
perial Tobacco 5 mits to My 20	2,005	(1,944)	146	(143)	19,6	(18.6)	7.6	Aug 14	7.2	-	21.4
reds Porter	101.2	(95.4)	14	(10.44)	20	(14.6)	5.3	July 29	å	7.8	7.35
urks and Sponour Yr to May 31	6,243	(7,842)	1,168♥	(1,102)	99,1	(28.7)	19.7	July 31	9,7	143	13
rchant Retail	67.4	(60.9)	3.04	(1.77)	2.381	(1.48)	0.4	Aug 1	0.25	0,5	0.25
ârolâne	17.8	(18.6)	2.82	(2.09 }	9.5	(8.05)	2,1	Aug 10	*	-	1.8
wsquest 14 w/s to Apr 5 \$	79.5	(71)	17.3	(9.02)	-	(-)		•	•	-	-
Flex 4	2.95	(3.82)	1.03L🏚	(0.052 🖤)	2.47L	(0.14)			•	-	
yal Sun Allianon 3 mile to Mar 31	2,417C)	(2,306)	894	(209)	0.7	(8.7)	-		-	-	21
S Uphoistary 5 mm to Mer 31	14.4	(10.3)	1.55 o	(1.11)	2.8‡	(2.1)	1.1	AUg 5	•_	-	-
marks	11.1	(10.8)	0.252	(0.401)	1.69	(2.61)	1,45	Aug 26	1.45	-	3.7
nstall 6 mins to Mar 31	41.3	(35.8)	2.85	(3.09)	5.6	(5)	1.85	July 9	1.85	-	5.17
traford lines Yr to Dec 31	13.1	(12.5)	9.13	(9.86)	16,36	(18,33)	5	0¢t 5		7.75	7.75
water-of Trusts	W	Attributable AV (g) Enrings (Erri		_	6 (p)	Correct payment (p)	Date of payment	Corresponding dividend	Timpi. You	Total ion	
R & American Yr to Dec 31	136	(117.)	1.01	(1.08)	4.04	(4.25)	2.25	June 26	2	3.5	3
T 1986 Yr io Mer 31	540.0	(482.9	3.39	(3.25)	22.62	(21.66	6	July 1	7.5	17.5	18.5
CJT 1995 Yr to May 31	60.1	(50.3)	3.51	(3.17)	5.56	(4.87)	2	July 1	-	4.5	4,25

These securities have not been registered under the Securities Act of 1933 and may

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with the resale restrictions applicable thereto. This announcement appears as a

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SANLUIS

OTICE OF DEFAUL TO HOLDERS OF

JTS Corporation (formerly Atari Corporation) 5 4% Convertible

ordinated Debenium Due April 29, 2002 (the "Debentures") CUSIP Number 465940 AA2 (formerly 046515 AA0)

NOTICE IS HEREBY GIVEN to all Holders of the Debenius that ITS Corporation (the "Company") has not made the April 29, 1998 interest pay-ment on the Debentures. This event constitutes a Default under the terms of the Indenture dated us of April 29, 1987 between the Company and Bankers Trust Company, as successor trustee to Security Pacific National Bank. If the interest payment is not made by May 29, 1998, the event will constitute an Event of Default moder the terms of the Indenture.

Upon occurrence of an Event of Default, under Section 6.02 of the Indenture. Holders of 25% or more of the Deben may declare the principal and accrued interest to be immediate-

ly due and payable by giving notice to the Company. Pursuant to Section 6.05 of the Indenture, Holders of a majority in aggregate principal amount of the outstanding amount or the trustanding Debentures may direct the time, method and place of conducting any proceeding for exercising any right or remedy available to the

If you have any questions or wish additional information with respect to the matters described above, please contact Stanley Burg, Bankers Trus Company, Four Albany Street, New York, New York 10006 (212) 250-6526.

Bankers Trust Company us Trustee Dated: May 20, 1998

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TriGem Computer, Inc.

Notice of a Meeting of Holders of U.S. \$30,000,000 3% per cent. Convertible Bonds due 2005 of TriGem Computer, Inc.
(Redeemable at the option of the Bondholders in 1996 and 2000)
(the "Bonds")

NOTICE IS HEREBY GIVEN that a meeting of the holders of the elvier Bonds (or, wared by the Company will be held at the offices of In-Gem Computer, Inc. at Intern Computer Building, 45-2 Yoldo-dong, Youngdown po-ku, Shoul 190-01C, Koras on 11th June, 1998 at 10.30 a.m. (Secul time) to consider and, if thought fit, past the following resolution, which will be proposed as an intersectionary Resolution.

ENTRAORDINARY RESOLUTION

"There the meeting of incident of U.S. \$10,000,000 3% per cent. Care-croicle Borale due 2005 (the "Boralholders") of TriOem Company. Inc. (the "Company") constructed by the Trust Deed doned 4th June. 1991 made between the Company and Burdurn Thance Company Limited ("Trustee") as trustee for the Boralholders hearby approves the proposals in which the Extraordinary Ramideston relates and their implementations.

Conditional upon the Company specing to grate the Amended Secund Fur Openia (as defined below), and save to the extent specified in paragraph 3 seems to the nutlification of the Second Supplemental Trust Dead dated 23rd April, 1948 made between the Company and the Trustee;

Seve to the extent specified to pazagraph 3 below, means to the abrograms of the BornBroken' uption to require the Company to redeem or reputchase the Borns on 4th June. 1998 (the "Second Put Opera") granted wader the First Supplemental Trust Deed dared 2nd April, 1996 teads between the Company and the Trustwe. Conditional upon Bondholden who have exercised the Second Par Option being paid on an instalainm basis on let July. 1998 and Ind Jenuary, 1999 respectively at an amount exact on each date to one half of the Fut Francis (as defined between leasures to the shrugation of the Bondholden' right or the 30-78 per cent. of the principal since of the Bondholden' right or the 30-78 per cent. of the principal since of the Bondholden' right or the 30-78 per cent. of the principal since of the Bondholden who from the Bondholden who who will be seen the since of the Second Part Tymon to B andholden who

save exercises and second that Option;

Assents to the granting of a pur option to the Bondholders in the trens set out in the draft Third Supplemental That Deal produced so this meeting and initialled by the chairman for elegaticarian purposes subject to each amendments as the Tinuse may require to require the Company or telemto or repurchase the Bonds on 4th June, 2000 (the "Amended Second Par Option") at a price equal to 2 year US Dollar LIBOR swap rate, which shall be determined on 38th May, 1998 plus five handred and stary five (365) basis possis (the "Amended Second Par Price"). The Amended Second Par Price will be adequated based on applying the present value as 100 per cost of the principal amount of the Bonds. Interest payable on the Bonds of the Bonds and applying the present value as 100 per cost of the principal amount of the Bonds. Interest payable on the Bonds of the Bonds of the Bonds of the Bonds of the Bonds.

Sanctions every alteration, absorption, warver, modification, compromise or arangement unde by the Trustee in respect of the rights of the Bondholders and Couponholders against the Company including the Trustee evercising to discretion not to give nonce to the Company that the Bonds are due and repoyable upon the occurrence of an Everu of Default or a potential livered of Default of the Company falls to you the summable to Bondholders who have exercised the Sectoral Par Cytaus on the due date or for 14 days thereafter; and

Authorises and requests the Trusree to concur in the modification's referred to in paragraphs [11, [2], [3] and [4] of this resolution and in order to give effect to each of them, to execute the Third Supplemental Trust Deed in the form of the draft produced to this meeting and for the purposes of identification agend by the channels of it with such assendments [1] and to it as the Trustree shall require."

the attention of Bandholders is particularly drawn to the quantum required for the meeting and for any other meeting, which set out in paragraph 4 of "Voring and Quorum" below. Having regard to such requirements, Bandholders are particularly quested either to take steps to be represented at the meeting, as referred to below or to ottend in person. to accordance with normal practice, the Trustee exputises no opinion as to the merits of the proposals as presented to the Bondholders and, in relation to the Bonds. The Trustee has run been moderal in formularing the proposals and recommenda Bondholders who are in any doubt as to their impact to seek their own professional advice.

AVAILABILITY OF DOCUMENTS Copies of the Trust Deed dated 4th June, 1991, the First Supplemental Trust Deed dated 2nd April, 1996 and the Second Supplemental Trust Deed dated 2nd April, 1996 and the Second Supplemental Trust Deed dated 2nd April, 1998 may be expected driving named office hautvat, and coning certificates may be obtained from, the specified office of the Paying Agent given below. A deatt at the Third Supplemental Trust Deed may be impacted at the specified office of the Paying Agent trom 22nd May, 1996.

VOTING AND QUORUM A Bondholder welting to terend and vote at the meeting and any adjourned meeting in person must produce at the meeting edited his Bandhol, or a valid voting certificate or certificates usual by the Paying Agent relating to the Bandhol in respect of which he wishes to vote.

A Bondhakter not wishing to attend and vate at the meeting in person may either Jelices his Penal(s) or count certificate(s) to the person whom he wishes to attend on his behalf or give a vorting numerican form a wiring instruction form the specified office of the Paying Agent) instructing the Paying Agent to appoint a provey and core at the meeting in accordance with his instructions.

Bord(s) two for deposited with a Paying Agent or to the order of a Paying Agent with a bank of wher deposition, neumoned by the Paying Agent for the purpose at least 48 hours before the time fixed for the neuting. Once a Paying Agent has read a voting correlated, the Bond will our be released until either the meeting has been concluded or the origing certificate has

can surrandered to the Paying Agent The quarman required at the meeting is two or more floridicalism or agents present representing in the aggregate the hubbers of not less than 60 per cents, in principal amount of the Borals for the time being remaining outstanding. If within Wimmons from the time namely fixed for the meeting a quorum is not present, the meeting shall be adjourned for such period, not being less than 21 days nor more than 42 days, and to such place as more be decided by the chairman of the meeting.

Every questions submitted to a smeeting will be decided by a show at hands unless a full is demanded by the chairpast of the court question automation to a meeting will be decided by a show of hands orders a poll is demanded by the chairman of the meeting on by the Computer or by the core to the persons make the set of the state of hands every person who is present in present and produces an automations Borology at coming certificate of the power shall have one write. On a poll every person who is so present shall have one write the produced or represented by the writing certificate su produced or improve that US \$5100 persons amount of Boroles so produced or represented by the writing certificate su produced or respect of which he is a present.

To be passed, the Entraordinary Resolution requires a map any in fravour curestants of malless than 75 per cent, it the water cast, if passed, the Entraordinary Resolution will be biralization all the Bornain idders, whether or many present or council with marrings and upon all the holders of the Computer relating to the Porola.

lanken Tran Compony 1 Appold Street Benadens London BC2A 2HE

20th May, 1998

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Sures Bank Corporation I Acachemoratak UH-4002 Bade TriGem Computer, Inc.

Ation KAY

Misford pla obalexpans

TI launches agreed £267m bid for EIS

TI Group announced a £267m (\$446m) agreed bid yesterday for EIS Group, the fluid-technology and aerospace group, divisions substantially and raising expectations that it will pursue Vickers' £150m

marine propulsion business. Sir Christopher Lewinton. chairman, said TI could afford another £500m of acquisitions despite having spent £500m on three deals since March. "You will see price from 346p to 500p. the momentum continuing."

group is understood to be particularly keen on a bid for Kamewa, the marine pronulsion business of Vickers, the tanks and engines group which is selling Rolls-Royce

Analysts said the bid for KIS, which supplies couplings between the gas turbines and gear boxes on naval destroyers, would give TI shout £200m of turnover in marine propulsion, and a after buying Aerostructures

Lips, the Dutch marine pro-

Bill Laule, chief executive, should recommend" tions. EIS would add about ted to leave with compen £240m of fluid technology tion after a handover period

sealing systems division, which had annual sales of £411m, he said, and would increase Dowty Aerospace's 2300m sales by about £200m

Analysts said the bid answered doubts about TT's commitment to aerospace, following its £207m exit from the Messier-Dowty landing gear joint venture

The offer values RIS at 505p per share - 46 per cent above their level on Monday - and prompted a leap in its Paul Compton, engineer

The specialist engineering said he was surprised that RIS's board recommended a bid worth just 53 per cent of last year's sales and 9.4 times 1997 operating profits.

The bid comes after five years in which EIS's shares have fallen 50 per cent behind the engineering sector. One analyst said: "EIS's mistake was that it tried to chase all the girls, rather than focus on its most attractive niche busin EIS began to restructure

Hamble, the ill-fated strcraft The figure assumes that TI parts maker, in 1995, but TI will spend about £100m is expected to sell more than shortly to take full control of 15 per cent of its remaining businesses. Peter Haslepulsion business of which it hurst, EIS chief executive, owns 30 per cent. It com- said Aerostructures had pares with Kamewa's sales returned to the black, and that "it was only correct we said the RIS bid was effect terms. He and Jack Hobbs tively two bolt-on acquisi- finance director, are expec-

M&S warns of costs of £2.2bn expansion

Spencer, yesterday added his voice to the gloom gathering over the UK retail sector as would become increasingly difficult over the next year.

in 1996-97 is quite clearly over," he said. "With less chairman of Marks and money available [to the consumer] retailing is going to get tougher and tougher."

Yet MAS also said it was he warned that trading going sheed with an aggressive \$2.2bn (\$3.7bn) expan-"The boom that took place Richard warned would hold in the home fornishings and back profits growth this

essential for the long-term progress of the business, will affect our results in the

His comments came as M&S reported pre-tax profits 6 per cent ahead at £1.17bn. helped by an exceptional £53.2m VAT credit, on sales 5.1 per cent up to £8.24hn for the year to March 31.

year by about £80m to rency movements. £1.11bm, before exceptionals.

Although the results were concern as it was largely due the next two years, to add largely in line with analysts' to a number of exceptional some 900,000 sq ft. forecasts, some brokers cut costs and investments, and expectations for the current the effects of adverse cur-

. M&S plans to add 1.5m sq This would mark M&S's first fit of retail space in the UK, reversal in pre-tax profits an increase of almost 14 per since 1982. However, most cent, expected to be evenly analysts said the relatively divided between food and flat earnings performance non-food. It is also set to should give little cause for invest £200m oversess over

some 900,000 sq ft. In the UK, M&S reported a

5.5 per cent rise in retail ating profits some £23.5m lower than last year at £67.9m. Sales fell marginally



StMichael

Compass breaks £2bn barrier

Compass Group, which has grown to be one of the world's biggest contract caterers, pushed turnover above £2bn (\$3.8bn) in its

its by 20 per cent. The group, which earlier is year entered the FTSE 100 index, is planning a 2-for-1 share solit following the sharp rise in the price

first half, helping to lift prof-

Yesterday the shares added a further 25p to close at £11.40, up from 785p in February when Accor, the French hotel group, sold half of its 10 per cent stake in

Francis Mackay, chief executive, said the value of

Value of new contracts signed this year alone will make group sixth largest food business in the world

group the sixth largest food business in the world. Mr Mackay singled out the

global contract with Philips Electronics, which will add 270,000 potential customers. and the contract with KPN, the Dutch telecommunications group, which employs

Pre-tax profits for the six months to March 29 rose from £56.4m to £67.8m on sales of £2.01bn (£1.72bn). ahead 8 per cent.

ded 18 per cent to 14.6p (12.9p), and the interimdivi-

The group, which makes more than 80 per cent of sales outside the UK, said that earnings would have constant currencies.

Compass will continue to make earnings enhancing bolt-on acquisitions, but the main foundations of the group have been firmly laid. All three divisions - the UK. Europe and the US - continue to improve margins as the focus is switched to organic growth and better

use of purchasing power. Yesterday the group outlined its plans to reduce the

10, and the number of suppliers from 30 to effectively one main supplier, which it expects to provide up to 90 exercise is just getting under way, and could be applied to other goods such as canned vegetables, and frozen fish

The group also reported that trials of a new modular form of staff restaurant makcent rise in sales. The success of the acquisition-led years is underlined by the

Berisford plans global expansion

St. Hitpriye

Berisford, the industrial group, intends to spend 2200m (\$334) on acquisitions to position itself as a global . supplier of catering equip-

Reporting a 41 per cent increase in underlying profits in the first half, it said vesterday there was a great need for consolidation in the cooking equipment sector which could be followed by 28. Including exceptionals, similar moves in the kitchen

and Burger King, and Mag-

The shares gained 15.5p to

EARNINGS

UP 9%

DIVIDEND PER SHARE UP 10%.

STRONG UK PERFORMANCE IN CLOTHING, FOOTWEAR AND GIFTS, UP 8%.

£2,2bn EXPANSION PLAN.

"We have entered a period of major capital investment and revenue expenditure, being funded without recourse to shareholders, which will generate significant sales growth and profits. in the years ahead. These investments, essential for the long term progress of the business, will affect our results in the short term, but we are very confident in the benefits they bring from 1999/2000 onwards."

> HIGHLIGHTS FROM THE STATEMENT BY THE CHAIRMAN SIR RICHARD GREENBURY

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MARKS & SPENCER

will try to penetrate local supplier of catering equip there was no single supplier ment to international food to provide a whole range of

Berisford owns Welbilt, the US supplier of catering equipment to McDonald's net, the UK domestic kitch-

ens chain. Alan Bowkett, chief executive, said the expansion to \$5.9m (£3.5m).
plans would be financed Mr Bowkett sa through borrowings: "We have tidied up our numbers and are ready for expansion, which could consist of two stages. First we would follow international chains such as

Mr Bowkett said the \$11bn catering equipment market was highly fragmented and companies. Berisford reported growth

in underlying profits up 41 per cent to £21.7m-(£14.5m) for the six months to March profits fell from £38.9m to 221.7m ou. Turnover rose per cent to £291.3m (£261m). Analysts lifted full-year fore-

casts from £45m to £47.5m. Welbilt pushed operating profits to \$34.7m (\$31.2m) while Magnet increased operating profits 69 per cent

Mr Bowkett said the conversion of the £230m of loan stock was becoming more attractive as the share price



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Fear and enterprise on the net

Internet commerce between US businesses is forecast to exceed \$300bn within four years

e-question

'How will e-commerce change the rules for doing business?'

It is a powerful, dislocating force that can overturn the constraints of location, scale and time zones. it has the potential to undermine existing businesses and present hage opportunities to unknown start-ups. It could, in the words of Bill Gates, head of Microsoft, the world's largest software company, usher in "a new world of low-friction, low-overhead

This is electronic commerce, the emerging electronic marketplace that, according to some forecasts, threatens to reshape

Yet, up to now, many companies have ignored e-commerce. They have watched as a succession of much-publicised ventures have crashed and even the best have struggled to translate success into profits. This has created an impression that the internet is a dangerous sales channel that

Such views look increasingly electronic channel, they could untenable. As e-commerce devel-

ops, companies must be alert to the opportunities and the threats This argument stems partly

from the likely scale of e-commerce. In the US, the internet influenced an estimated \$7.5bn of consumer sales last year, according to Cyber Dialogue, the research organisation. By 2002, internet commerce between US businesses is likely to exceed \$300bn, says the US Department of Commerce. But it is also based on the potential of e-commerce to change the rules

From the start, it has been clear that the free flow of information about buyers and sellers on the net could undermine the role of intermediaries. In the US, airlines have slashed the commissions paid to travel agents as more customers book online.

But cutting out the middleman is just one possibility. As Shikhar Ghosh, chairman of Open Market, an e-commerce software company, argues in the March edition of Harvard Business Review: "The ubiquity of the internet - the fact that anyone can link to anyone else - makes ticipant in the value chain to

usurp the role of any other par-

ticipant.
"Once companies establish an choose to become pirates in the value chain, capturing margins from other participants up or down the chain."

Not only could a book publisher bypass retailers or distributors and sell directly to readers, but internet book sellers such as Barnes & Noble and Amazon.com could publish their own books using the information they have obtained about their readers'

This presents a dilemma for established companies with physical distribution chains. If they do not compete electronically. they will lose business to companies that do. But if they switch to the internet, they risk damaging long-standing relationships that yield the bulk of their income.

Yet the balance of power in the supply chain will not necessarily move against the middleman. Distributors may fight back against the threat of manufacturers selling direct or choosing new intermediaries. By taking control of customer information, an online distributor could demand bigger discounts and squeeze manufacturers' margins.

Equally, suppliers and distributors could opt for a co-operative relationship - mirroring the

the physical world. By working together and sharing information, they will be able to reduce

Yet companies must be vigilant against an even greater internet threat the creation of an ultraefficient, transparent market.

This can be illustrated by InsWeb Corporation, which allows customers to compare prices for several different products including health, life and car insurance. Although side-by-side comparisons could damage the pricing strategies of individual providers, they may be unable to resist being listed on the site, says Mr Ghosh, If InsWeb can get enough traffic to its site. laggard insurers will have little choice but to participate.

Another source of anxiety for companies fearing cut-throat competition on the net is the emergence of "agents" or "bots" software that can scour merchants' web sites seeking the best

Loyalty may seem an alien concept in a world where alternative vendors are just a mouse click away. Yet there are good reasons for believing that the web could become what Mr Ghosh describes as "a naturally concentrating medium", in which a few companies meet the needs of large segments of the global market.

The internet overturns many of



numerous suppliers in an industry. If the product or service can be easily delivered, there are no physical constraints on the loca-

tion of cyberstores. The companies that come to dominate the net may be the pioneers, which can secure important advantages over latecomers. They can use information about their customers to tailor their offerings and they may even be able to foster a sense of community among users. Part of the appeal of Amazon.com is the book reviews posted by readers. Not every established business

trepidation. Some retailers will be protected because their customers do not have access to, or enthusiasm for, the web; or prefer to try the goods before buy-

But companies selling travel. computers, entertainment, books and music can expect a significant part of their industry to move online. Above all, e-commerce will affect companies that sell to other companies, where small price differences can yield big savings and large volumes of business

are already done remotely For these companies, an mability to grasp the significance of e-commerce could be enormously damaging. "It is going to be quite bloody," predicts Emily Green, managing director of Forrester Research. "The internet does not wipe out markets, but it resculpts them. It is an enormously

destructive force." Vanessa Houlder

This article is the first in a weekly

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LOUISE KEHOE

Progress is pushing at an open portal

Push technology is giving way to the latest fad in

gateway web sites A year ago, push technology

was all the rage. For a time, to subscribers' computers. rather than expecting them to find web sites on their own, seemed to be the ticket to success for web publishers.

But the excitement didn't last. Of the dozen or so companies formed on the back of the push fad, few have enjoyed success. Those that survived no longer use the term "push", which is now considered as exciting

as leftovers. Marimba, one of the most prominent push technology companies, has recast itself as a supplier of tools for updating or distributing software applications via the internet. Pointcast, a push channel pioneer, has switched its focus from software to content. As it prepares for its initial public share offering, Pointcast is presenting itself as an eggregator of content from various web sources. The company collects articles and information on specialised subjects and delivers them to business

Push may not have lived up to the hype, but never fear, there is a new fad sweeping the web publishing business. Portals, or gateway web sites, are now the hot topic.
The idea is that users will

become accustomed to a particular portal site and use it routinely as their way into the web. Yahoo! and America Online are the most stablished portals, but Netscape, Excite, Infoseek and many others are jumping on the bandwagon Like push channels, portals are designed to make

web use simpler. With search facilities, messaging service, telephony and shopping, they make it easier for users to find their way round the web. Also like push channels, web portals are designed to grab users' attention for long enough to show them lots of advertisements.

Portals seem promising. But promoters should be mindful of the rise and fall of nush technology. To many web users, it felt too pushy they tired of the constant flow of information and turned it off. Similarly, if web users feel they are being captured or confined by a portal, they may move on.

The Clinton administration is finally taking a stand on privacy issues. In a speech in New York last week.

vice president Al Gore called for legislation to ensure the privacy of personal medical records stored in computers.

He also ennounced plans for a new opt-out web site (www.consumer.gov) where individuals can remove their names and addresses from lists. The site will also let individuals stop their personal information being sold to marketers and prevent companies checking their credit records without DEITHISSION:

These practices were common long before the internet became popular. However, web sites can cull vast amounts of information about individual consumers interests more quickly and inexpensively than traditional methods. So placing limits on how personal information can be

used is all the more vital. Opt-out features are not yet available on the sumer.gov web site, but it is worth a visit anyway. Although aimed at US consumers, the site offers information of value to all web users. In particular, the consumer site provides details of scams that have been uncovered by federal regulators - including some of the "get rich quick" schemes distributed via e-mail and the web, If you need persuading that these ages are not worth the paper they are not written. on, check out this site.

Apple Computer is famou for inventing - or at least making - the first commercially viable product that brought a graphical. user interface to the PC screen. For a while, the look and feel of the Macintosh was unique. Now it seems that Apple is once more relying on "look and feel" to make a comeback. This time. it is in the shape and colour of the box that houses the

This is what it has come

down to. Apple's iMac provides little more than standard PCs in its price range, and less than many. Yet it has style - a space age design that looks like something the Jetsons would use with luminescent blue sides and a light-up mouse. But for a breakthrough development, Macintosh fans must wait until late 1999, when Apple says it will deliver a fully updated version of its ageing Mac operating system, until when users and software developers can look forward to six-monthly updates. However, users and software developers must decide now whether Apple will, this time, deliver on its promise. The novelty of an

illuminated mouse could

wear off long before then.

Europe gains on US rate hopes

EUROPEAN OVERVIEW By Martin Dickson

Trans-European equity indices rose yesterday as fears faded of an immediate US interest rate increase and

appeared to ease. 1,217.34, while the Eurotop man government prices were kets, with the sector 1.81 100 index rose 35.55 to marginally higher, with the

in the day on overnight which gained 3.2 per cent,

he would hold democratic 0.3 at Ecu 11.82. elections. The tone was reinforced by a positive start 22 per cent, with Allianz up on Wall Street, where fears Ecu 10.3 at Ecu 297.20 and faded that the Federal Axa Ecu 25 ahead at Ecu Reserve would tighten mone- 105.83.

appeared to ease.

The FTSE Eurotop 300 later in the day.
In the bond markets, Geroff exposure to Asian markets.

The best performing Euro-The market gained early top sector was life insurance,

12303 17512

High 95.790 95.890 95.890 95.780

recovery in Asia following with the Netherlands' Aegon 1.95 per cent, helped by the the announcement by Indonup Ecu 5.7 at Ecu 129.95 and announcement that Ahold of esia's President Suharto that
Britain's Prudential up Ecu
the Netherlands was bidding

General insurance gained

ahead and good perfor-2,794.33. The Ebloc 100, benchmark 10-year issue mances from Society Conferwhich tracks companies trading late in the day at ale, up Ecu 7.8 at Ecu 184.41, from founder members of 102.11, up 0.11 on Monday Deutsche Bank, up Ecu 2.0 European monetary union, night, to yield 4.98 per cent. ular, Ecu 3.6 ahead at Ecu

for the US supermarkets group Giant Food, and was buying up J. Sainsbury's minority stake in the business. Ahold jumped Ecu 1.7 to Ecu 80.86, while Sainsbury

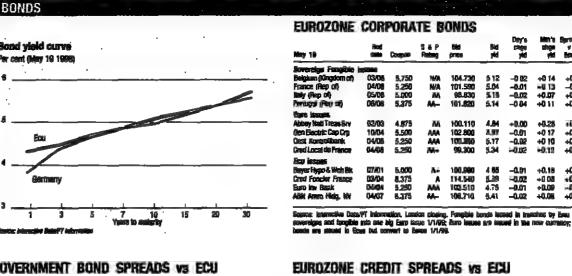
Sectors which ended in negative territory included

healthcare, leisure and

France Telecom led a 1.78 per cent advance in the telecoms sector. Its shares rose

73.86. Food retailer	rs adv	anced	Deutse Ecu 0.0	the Tel		put on
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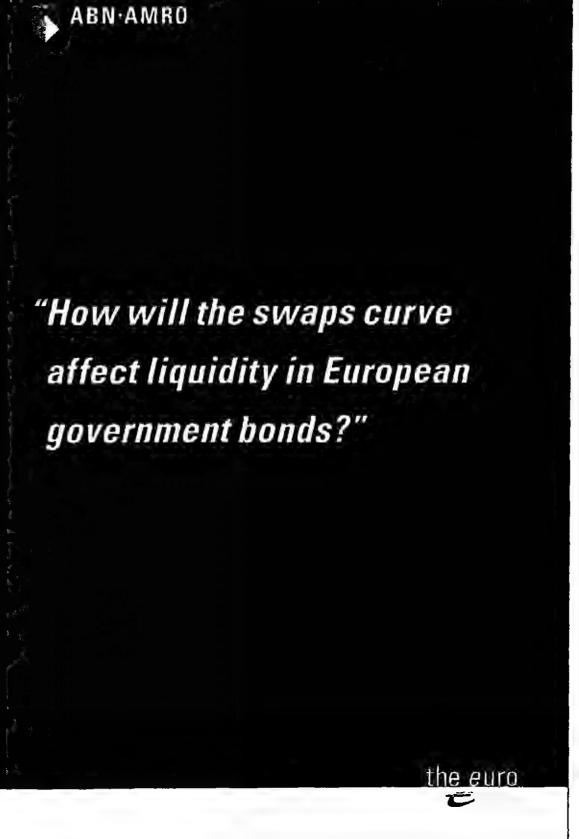
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GOVERNMENT BONDS By Jeremy Grant in London and School Waters in New York

UK gilts stole the show in European bond markets yesterday, see-sawing in reaction to UK inflation figures as other markets held their fire pending a decision from the Federal Reserve on US interest rates.

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Investors were seen holding back until this morning although the consensus rightly, as it proved - was Analysts said markets were looking further ahead to the release tomorrow of the Federal open market commit-dollar. The long bond yield tee's March minutes for indi-cations of any shift in points below its level of late underlying sentiment.

across the board but were might be imminent and a

locked in tight ranges, have partial return of its status as curve saw some flattening as ing apparently shrugged off the latest political develop- UK GILTS initially took with economists predicting ments in Indonesia.

US TREASURY bond prices remained largely unchanged in quiet trading yesterday morning in New York, as traders marked time ahead of the Fed committee meeting.

bond was & higher, at 1022. in early afternoon trading in New York, putting the yield before taking positions, at 5.924 per cent. Two-year retail price index came in although the consensus - notes were unchanged at above forecasts at 3 per cent, 100 h, leaving the yield at

5.589 per cent. Bond prices held on to their gains of the day before, which followed the rising last month, reflecting reced-Markets ended higher ing fears that a US rate rise cent may be unrealistic.

fright at higher than expec- more of the same if tomorted retail price index data, falling sharply after it appeared these spelled a resurgence of inflation and concern over a possible interest rate rise.

The statistics office said The benchmark 30-year headline inflation hit a sixyear high of 4 per cent, up from 3.5 per cent in March. In addition, the April retail price index came in

> against a forecast of between 2.8 per cent and 2.9 per cent. That, coupled with last week's average earnings data which showed a bigger rise than had been expected, helped stoke fears that the Bank of England's year-end inflation target of 2.5 per

row's retail sales figures are perceived as strong.

However, gilts recovered after concluding the headline figure was boosted by Budget items and that there were still no convincing ressons to alter current views on interest rates.

"For once I think the markets are listening to the economists rather than the acceleration in the headline index is a one-off," said Julian Jessop, European economist at Nikko.

Nevertheless, there are headline figure may encourinflationary. Yesterday,

New international bond issues

announcing a a 5.25 per cent further auctions and point to

"It (today's official data) doesn't change our view that interest rates are more likely to remain at 7.25 per cent for the rest of the year than to BUNDS ended higher, rise, but the risks are still on the upside," said Steven

Andrew, gilt strategist at Merrill Lynch. The problem is that the higher number may feed through to inflationary pressures at a later stage. The ball we should be watching

is the labour market." The June gilt future set- data were slightly weaker tled 11 basis points higher at than expected but analysts 107.78 with 76,000 contracts

Figures showing that the repay £3.4bn in debt - last week. age wage deals that are largely thanks to robust tax revenues - was seen pushing gilt prices higher, as it 106.95 after nudging techni-

the prospect of scarce

The spread over German bunds narrowed to 104 from the previous day's 105 basis

hardly reacting to comments by Ernest Welteke, a Bundesbank council member. warning a small interest rate rise could not be ruled out, though it was too early to speculate when to make any

The IFO business climate said the market had already priced this into their expec-tations, as weak production still lingering fears that the government had been able to data had told a similar story

The June bund future settled 13 basis points higher at retailer Marks & Spencer ing glit prices higher, as it 106.95 after nudging to fuelled such concerns by would reduce the need for cal resistance at 106.98.

NEWS DIGEST

SECURITIES

US Treasury plans to issue index-linked savings bonds

The US Treesury will begin issuing index-linked savings bonds. later this year and plans to introduce a regular auction schedule in inflation-linked securities, a senior Treasury official suid

yesterday.

Roger Anderson, deputy assistant Treasury secretary for federal finance, told a Bond Market Association seminar in New York that development of a liquid market in index-tinked bonds would take time but was improving-

The move follows the Treesury's overheul earlier this month of its regular bond auction process, which included cancelling three-year note auctions and holding auctions of five-year paper quarterly rather than monthly. The moves were in response to a likely federal budget surplus next year for the first time in nearly 30 years, and forecasts of surpluses in the coming years. Viocent Boland

FUTURES AND OPTIONS

CME begins Ecu trading

Trading in Ecu futures and options began yesterday on the Chicago Mercantile Exchange, the second largest US futures exchange, paving the way for eventual trading of futures in the new euro currency.

The Ecu contracts are designed to convert to the euro ourrency once European monetary union begins on January 1 .-1999. Conversion will be on a one-to-one basis, and the first contract expiry for the Eculeuro contracts is set for March 1999. After that, contract expirations will occur quarterly,

The new contracts are currently sized at Ecu125,000 (and subsequently, euros), which equates to about \$138,500. Triding in the new contracts was said to have started quietty

The CME will continue to list its dollar/D-Mark, doller/French frenc contract and D-Mark cross-rate products, while these individual currencies continue to exist. Nikki Tait. Chicago

FUTURES

Pfandbrief contract from Eurex

Eurex, the product of a recent merger between the Deutsche Terminborse and Soffex, the German and Swiss derivatives exchanges, will launch a tuture on Germany's Pfandbriefe on

The five-year contract - the first derivative to be based on non-government German bonds - will be based on a basket of different Plandbrief bonds.

Pfendbriefe are mortgage-based bonds issued by privatesector mortgage banks and public sector institutions. They form the largest non-government asset class of bonds in Europe. Edward Luce

The short end of the yield EIB presents \$2bn deal as benchmark

INTERNATIONAL BONDS

By Viscont Boleni and Edward Luce In quiet activity ahead of the Federal Reserve meeting, the market was dominated by the European Investment

Bank's \$2bn three year issue, absence of further US Trea-

in the sector in the euroband

year sector for a new bench-

mark issue, and there was

trading flat to reoffer last year.

It was targeted at Asian buyers but also saw demand this part of the curve from which was presented as a Asian central banks. There new benchmark at that part was a very sizeable book of of the yield curve in the orders from there," one benker wirt.

Elsewhere, US investors Bankers at Goldman were apparently much taken Sachs, joint lead with Salo by the high-yield \$350m bond mon Smith Barney, said that issued by Ocean Rig, a Norhad left a gap in the threewegian oil company.

The 144(a) offering which enables non-US borrowers to tap the US market

at minimal cost - was

secured against the mort-

yield 15 basis points over the of rigs by the borrower. The three-year Treasury, was rigs will be delivered next

into a \$225m fixed rate and \$125m floating rate tranche. from European investors. About 75 per cent of the "We felt there was strong fixed rate tranche, rated B3/ demand for something in B-minus, went to the US. "Obviously the US high-yield market is much deeper and more sophisticated but Europe is slowly getting there," said CSFB, sole lead.

First National Building Society issued Ireland's second mortgage securitisation yesterday in a two-tranche 12200m offering. The bond the first irish residential mortgage securitisation to include automatic redenomination into the euro - was distributed mostly to non-

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	09/27	9.750		92,9000	10.53	+0.11	+0.44	ALC:
udi M	(6/27	12.125		82.2000	17.02	+0.15	+0.70	
	05/26	11.500		16,6500	9,73	+0.02	+0.46	+3.83
		A-10		*****				-, -
166		ومطهما	المراجعين			····· . ·	. .	11.5
	07/08	7.750	BBB+ 1	02 2324	7.37	+ 0. 11	+0.46	+1,74
ASS	07/08 10/16	7.750 8.750	BBB+ 1	02 2324 91 5670	7.37 9.74	#0.11 #0.11	+0.46 +0.50	+1,74 +3.98
LANG CO	07/08 10/16 D4/07	7.750 8.750 7.750	BBB+ 1 BB4 BBB-	02_2324 91.5870 92_6456	7.37 9.74 8.98	+0.11 #0.11	+0.46	+1,74 +3.98
LANG.	07/08 10/16 D4/07	7.750 8.750 7.750	BBB+ 1 BB4 BBB-	91.5870 92.8455	7.37 9.74 8.98	#0.11 #0.11	+0.46 +0.50	+1,74 +3.98
ios Repines Mann	07/08 10/16 04/07	7.750 8.790 7.750	B98+ 1 884 888-	02_2324 91.5870 92_8458	7.37 10.74 8.96	+0.11 #0.11 +0.11	+0.46 +0.50	+1,74 +3.98
ion includes plant accompany	07/08 10/16 D4/07	7.750 8.790 7.750 9.125	2004 1 1004 1008 -	91.5870 92.8455	7.37 9.74 8.98	+0.11 =0.11 +0.11	+0.46 +0.50 +0.60	+1,74 +3.98 +3,34
LASO, C. September of the Control of	07/08 10/16 04/07 00012 FAST 07/00	7.750 8.790 7.750	395+ 1 856- 886- 188- 1	01.5870 91.5870 92.6456 01.3800	7.37 10.74 8.96	+0.11 +0.11 +0.11	+0.46 +0.50 +0.60	+1,74 +3,98 +3,34 +2,79
LARCA CONTROL	07/08 10/16 04/07 07/00 10/08 09/07	7.750 8.790 7.750 9.125 8.375 10.000	200- 100- 100- 100- 100- 100- 100- 100-	01.5870 91.5870 92.8495 01.3800 01.5519	7.37 0.74 8.96 8.36 0.10 9.89	+0.11 +0.11 +0.11 +0.22 +0.11 +0.11	+0.46 +0.50 +0.60 +0.56 +0.17 +0.17	+1,74 +3,96 +1,34 +2,79 +2,47 +2,47 +4,25
LABOA (Included Included Inclu	07/08 10/46 04/67 04/67 07/00 10/06 09/07	7.750 8.790 7.750 9.125 8.375 10.000	1884 1 1884 1886 1 1884 1	02.2324 91.5670 92.6456 01.3800 01.5519 00.5456	7.37 9.74 8.98 8.38 9.89	+0.11 +0.11 +0.11 +0.22 +0.11 +0.11	+0.46 +0.50 +0.60 +0.58 +0.17	+1.74 +3.96 +3.34 +2.79 +2.47 +4.25
ice illippines plant) parcine illippines plant) parcine illippine 077/08 107/08 107/07 04/07 07/00 107/06 09/07	7.750 8.790 7.750 9.125 8.375 10.000	1889 - 1 1884 - 1 1884 - 1 1884 - 1	02.2324 91.5670 92.6456 01.3800 01.5519 00.5456	7.37 9.74 8.98 8.38 9.89	+0.11 +0.11 +0.11 +0.22 +0.11 +0.11	+0.46 +0.50 +0.60 +0.58 +0.17 -0.35	+1.74 +3.96 +3.34 +2.79 +2.47 +1.25	
L-ASSA (A) los Ropines plant	07/08 10/46 04/67 04/67 07/00 10/06 09/07	7.750 8.790 7.750 9.125 8.375 10.000	1889+ 1 1884- 1888- 1881- 1 1881- 1	02.2324 91.5670 92.6456 01.3800 01.5519 00.5456	7.37 9.74 8.96 8.38 9.89 8.48 10.21	+0.11 +0.11 +0.11 +0.11 +0.11 +0.11 +0.11	+0.46 +0.50 +0.60 +0.58 +0.17 -0.35 +0.27 +0.27	+1.74 +1.98 +1.34 +2.79 +2.67 +1.25 +2.62 +4.68

Irish in	vestors	in Euro	De.	heatin	ig, an	official	at SBC	ago.	cent.
BOND	FUTU	RES AN	ID OP	TIONS				Ecu	
France								M BOW SOME PETONES (MATE) BOW	00,000
ME HOTOLA	ù Palica	BOND PITTER		PH-500.000	1			Open Best poice	Change High Low Est, v
	Ория	Sett price	Charge	High	Low	Bat. val.	Open lot.	Jm 105.52 108.05 See – 101.80	+0.10 - 1
Jan Sup	108 <u>.22</u> 102.81	163,24 162,76	+0.08	165.25 109.61	103.20 102.56	61,821 1,689	95,814 9,778	US CORPORATE BOI	vds
M LONG 11		H BORD OFT	ONE QUAT	P)				Red	Bar Bd Bd Chops
Strike Price	-	(34)		 Geo	and .	- PUTS	980	May 18 data Coupn	Resting price yield yill
102	1.1	1 0.9	2 '	1.26	0.07	0.27	0.70	Pac 6ell 07/02 7.25	AA- 104,0763 5.11
183 104	8.3 0.6			9.72 9.36	9.31 0.99	8.82 1.54	1.18 1.76	HY Tel 88/25 7.00 CWE 05/05 8.00	A+ 98,8994 7.09 - 886 110,0888 8.60 -
105	0.0	0.0 W 1531 . WA	•	Q14	1.57	2.48	2.50		
5 , × • • ×	-	10 40 · m	and a second	M. (400)				BECC 95/07 8.75	AAA 118,8474 8.27 -
								136 West 01/07 7.20	889+ 167.2214 6.20 -0.01
Campan		والم يوود			0.0000	1005			
- BUILDE	Cose	Suit price	Change Change	High	Low	Est. vol	Cases lot.	What Tech 0450 0.26 We Mart 05/12 0.75	MA 102.3213 6.05 -0.01
Jon	106.88	106.95	+0.13	108,88	100.83	34135	138621		986+ 131.604 (LS -
Sep	106.43	100.55	+0.13	100,88	106,42	806	4633	HLMC 0407 7.14	WA 107.537 8.01 -0.01
	THE OF	TORR (LITTE)	DW250,00	G points of 1	00%			Sijes 03/90 7.60	NA 102.9116 6.77 -
String	75.0	CAL		- 1		7078 -	Sep	FR.08 00'05 8.05	NA 190,2219 6.26 - NA 116,6589 6.66 -
Price 10650	0.48		-	Des 14 148 0.4			0.83 0.83		
16790 16750	0.13 8.61			AR 0.1			1.10 7.41	Blone Cont 02/01 9.86 Alt St 12/01 9.19	8 192,7500 0.00 - 38- 105,2500 0.00 -
EST ANY DAY		Pals 10001. A		a opera int., G				Peccellin 06/04 10.75	8- 102,5000 0.00 -
								US INTEREST RATE	nani-tamai fanis. Sapras inimistra D
	L DESIGN		ATTURE	(O78) D	0,000	100	Α		
Lun.	Opes	Seg price	Charge	High 104.91	Low	5t, voi 110,345	Open lot.	Lebet , One to	Treasury Bills and Boad Yields
Jun Sap	104.86 194.83	104.89 104.83	+0.05	104,63	104.81 104.83	\$73	247,068 14,836	Prime rain 67g Two is the feet feet of the feet	Three year
								Fed. Aurels Fed. Aurels Con y	MB (L37 10-year
III NOTICE	L tenutic	SOL PRIN	es (Lift)	* DM2550,000	1000s of	100%		UK BONDS	
	Open	Bett price	Change	High	Low	Est. vol	Open bit.		
Jun Geo		104,89 104,70	+0.05			0	345 D	FTSE Actuaries Govt.	
Italy		10-10	Total			•	•	Price ludices Tes UK 9Rs Nay 19	Day's Non Accrued tagings % Way 18 Interest.
	L ITALIAN	SOFT. BOND	(SIP) Pill	ales (Line	" Live 200m	100ms of 1	100%	1 Up to 5 years (18) 118.56	8.00 118.56 2,24
	Opan	Sett price	Charge	High	Low	Est. vol	Open let,	2 5-15 years (20) 162.67 3 Over 15 years (2) 202.86	0.09 182.73 1.21 0.17 202.81 4.67
Joh Sap	118.45 118. 5 5	118.57 119.04	+0.17 +0.17	118.58 119.03	118.43 118.93	24315 565	121143 11630	4 (municipality #) 248,67 5 All stacks (47) 154,96	0.86 248.04 0.67 0.08 154.83 2.10
of matter	ctort New	0 (STP) PUTT	الراجا والك		liodille 16	Whe of 100	4	Indica disked	
Strike		CM				PINS -		8 Up to 5 years (1) 215.38	-0.01 215.41 0.86
Price 11888			146 28.0		, IIII		16 ·	7 Over 5 years (10) 224.61 8 All shocks (11) 222.75	-0.04 224.90 1.21 -0.04 222.83 1.17
11905		Lith	0.54		0.44		0.50		BONG. Cooper Brade: Loc: O'S-7455; Madinis.
11950 list wil 1986		0 ds \$0%. Province	0.32 10 tily's ope		0 <u>.93</u> 18646 Pub 14			ET Physic Indiana Ladina	
Spain								FT Pixed Interest Indices	i May 15 May 14 May 13 Yrago 1
								Book. Same. (899) 108.92 103.70	103.86 104.01 104.15 95.72 18
ar morking	Open Open	Sett price	Charles Charles	Fligh	Low	Est vol	Open Int.	C 775	CLI75), Bada 100: Communal Securities 157(0)
Jun	108.40	108.43	+0.10	108.46	108.33	25,640	94.260	UK GILTS PRICES	
Sagr	108.16	108.21	+0.10	108.21	109.18	136	1,047	. Wald	- 52 was
	L S YEAR (ALT FOLUNCE	S (HFL) S	190,000 100	the of 100%				Hone E + Gr - Bigh Low
	Open	Set price	Change	(sigh	Lon	Est. voi	Open int.	Shorter (Linux up to First Young) Trans 157-per 7611 1507 7.12	7000 10pc 2004, 1027, -1, 11352 1027, Fanding 3120c 11
Sup	102,48	102.42 103.75	-0.03	102.48	102.35	2044 0	\$122 0	Each 12pc 1998 11.73 7.13 10 Trees 9-acc 199311 \$26 7.10	[변화 - 1 106] 102일 Carr 9/200 2004 101일 - 1 184년 181일 Tuess Klarr 2014
	LUKGLI	PATRIES (LE		00 52 mbş ul	100%			Treat Fits Rate 1988## 11.75 8.98	140 A
ner:	Open		Change	High	Low	Est wal	Open Int.	Trees 60-20=1999 10.15 6.94 10 Trees 6p=1999 # 8.05 6.74	AND -V AND BAR LONG \$700 300
	107. 7 6 107. 9 0	107.78 107.98	+0.11 +0.11	107.82 107.80	107.52 107.90	84044 257	230505 1212	Coder 10/4pt; 1998 9.77 9.75 YC	Trees 71-50¢ 2006
								•	Trees 75upc 2008 Trees Sac 2002-4
W. LONG GI	LT PERBICE	OPTIQUE (L)	FFB 150.0	100 64ths of	100%				7:000 T1 Age: 200 Treat 61 ₂ 0c 2009
Stellar		CAL				Pers		Treas 8/200 2000 \$ 8.27 - 6.77 **	
Price	, au	l /a	9	Sep	æ	Ang	Sep	Corp. Suc 200011 8.67 5.70	102年 - 人 105人 183人 Trees Spc 2008 ; 1245 - 人 117日 112日 Team Spc 2008
19750	0.9			34	0.42	0.68	0.86	Tiess 14pc 1998-1 13.59 6.9416 Tense Sec 2000141 7.78 6.51	
19900 1995)	0.67 0.47			1,07 1,84	0.93 0.95	1.19	1,09 1,38	Trease 78g Planter 2001	10012 10012 1001, Tream Spo 2012;; 1895 1101. 100 Tream 5120+2000
	Cast 1922 i	100, Presid	ot sides and	in 14., (26:	5672 Pala 31	11		Cary 91-0: 200121 \$ \$.77 \$.58	1082 - A 1083 1071 Inea 740 2012 1084 - A 1108 1084
US BUSTES	- Surt kan) ह्यान्स्ट (०	200 \$100 £	 100 32nd= 44	100%			Tress 7pc 2001 \$1 6.67 6.34	1024 953 Sept 75mm Year
100	Open	Latest	Change	High	LOw	Est. vol.	Open int.	Core 10pc 2002 8.88 6.28	
, Ball	120-21	120-11	-0-36	120-22	120-11	282,619	705,205	Tress 7pc 200211 6.82 6.24	Purk 1200 2013-
Dec	120-01	120-05 179-27	-0-07 -0-07	120-14 120-81	120-04 119-19	22,273 8,077	141,863 51,489	Fire to Filtrace Traces	Trees Spc 2021;
Japan								Esth Opt 2002 4 8.15 8.31 11 Coar 9340c 2003# 3 8.50 6.29	現金
N NGDOW		M 764mp						Trees 61-ac 2003 636 602	tist 7g 109 10334; War Loan Signer; 1934 1686; Coor Siene Vil &
Jan	Open 132,69	Close 132,89	Change	Flight 133,07	<i>Lдыг</i> 132,88	£34, 454 4095	Open est. sals	Thosa 134 Grc 2000-8 - \$ 12.03 6.05 Thosa 120-2003 - 4.55 6.16	14
Sep	122.85	132.86		132.69	132.66	2883	D/S	Trans 112-90 2001-4 14,22 6.48	
- UTTE THE	- 23) 1225	的 解礼 趣 改		akr 40 M (, 196 (CONTRACT)			● Jim, wang 14 Jan-tan g may sangang	pa application, E Auralia banks, sel Es diablemes. C

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	M BOU SOME PETE	es indi	P) ECU100,0	00		<u>.</u>	<u> </u>		Way 19		Peri	Committee	S & P Retire	Bid orice	and Ang		Men's Chigo yid	Speed
i list.	Oper Jam 1984	2 108	.00 +0	nge Hig 1,10 -	gin (.our B -	et, woll (T	Open tot. 4,862 .					7.3				4574	THE P
814 178	US CORPO	181 DATE		.86 - 24			 . · -	8,178	SE Spela Palis Nor	in tel	02/07 01/07 02/04	5.730 5.730 5.335.~	AA :	106.0300 104.4200 106.9358	5.02 5.10 	-0.02 -0.01	+0.13 +0.14 +0.14	+0,02 +0,10 +0,40
	uo cuncu	IUNIE				Day	·· ·r		Palant Fi	N .	DB/02	3.570		09.6028	4.07		+0.04	0.48
	May 18 Programs unknown		Coupn Re			MARIO CANA MARIO MARIO PAR A TRANSPORTE PARA			Austria.	MANY PARTY	01/04 02/04	8.500 8.600		03.4900 105.5800	4.78 4.88	-001	+0.08	+0.06
g P	Pac Ball	07/02	7.25 M	- 104,0	3763 6	1.11	- +0.00	+0.45	Great Fond SIGNE FRAN	er .	02/04 12/01	9.125 3.625		19.8471	5.06 4.28	-001	+0.05	+0.33
e E	ALY Tel CHIE	98/25 98/06	7.00 A+ 8.00 BB	8 110,0	0800	1.09 1.60	- +0.00	+0.83			12/07			12,5000	1.18	-0.01	+0.13	-8.01
		95/07	RJS AA	118		27	- +0.10		Abbey Net West Disease		(5)(0) (5)(0)	7,000 6,800 6,805	AA :	106.4700 107.3500	4.88	-003 -001	+0.07	+0.08
	Brac One LIS West	08/02 01/07	7.25 At 7.30 BB	103.7	7150		n +0.05	+0.68	18 FFM	•	09/01	6.366 		100.0670	4.44	-0.01	+0.07	0.25
	11M = 1- 1- 1- 1- 1- 1- 1- 1-	957	14.6						198 Doesdoor		12/07 12/07	7. 625 7.750		109.7466 106.8603	8.23 6.74	-0.00 -0.01	+0.14	+0.27
t int.	Wikt Tech Was Mart Duyton Hud	04/60 05/02 06/21	6.75 A	100	3213	.22 +0.0 1,06 -0.0 1,08		+0.42		1	02/00	7.535 7.715	A+ 1	100,9367	7.05	+0.01	+0.08	+0.48
1921 193			e Carry	7.7	1	(A) (E)			. M. 3300		DAVOT	7.200	148	DB.1206	# 100 P		+0.06	100
	Films Sime	0407 03/00	7.14 MB 7.80 NB	102.5	3116 6	101 -01 177	- +6.06	+6.17	ASK Auro Coebec		08/07 01/07	7.128 7.000	M-	104,9245 104,2063	5.40 8.36	-0.01 -0.01	+0.06	+0.78
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83 10	IN THE THE STATE OF	2001 12401	105682 108 B	102.7		1 00			Bayer (6		08/04 05/04	6.500 8.500	AAA 1	16 <i>28</i> 77 113.9183	5.72 5.76	-0.03	+0.10 +0.15	+0.16
41	AK 89 Pacalin	12/01 08/04	A13 35- 10.75 B-			L00	= =		Bell Carrad Deutsche i		07/99 no.m2	10.625 5.675	Ar I	105,3322 171,1908	5.56 5.58	-0'05 -0'05	+0.14 +0.12	+0.00 +0.00
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iot	Latest ,			Treesu	y Bills a	nd Board Y	Telcis,		Spain Cred Foot		08/02	5.750 4.790	AA, 1	18.7504 14,1418	0.77	=	-0.23 -0.20	+0.15
,068. 536	Prime rais		Qual appoil Two second There proce		120	Jose Aere Jose Aere		_ \$59 _ \$59	listy FRM		07/99.	6.711	AA 1	100.3396	0.05	-0.02	-0,16	-0.11
	Fed. Aurits Fed. Aurits at Intervent	F .	Six Francis Class year .		LA.	Five year 10-year 30-year		5.83	Contact Con			-		را استعراب	entre.	hirada	e Dein/IT i	1
	UK BOND	S																
1 bat. '	FTSE Actua	nies G	ovt. S	ecuritie	s				٠.							(JK ind	dices
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_	1 Up to 5 years (1 2 5-15 years (20)	9	118.56 162.87	6.00 1.09	119.56	2.2 1.2	4	.12 6 y	6.	11 6.11	6.9	6 62	6.2	1 7.5	12 6	22	6.22	7.0
ist, 143	3 Over 15 years (9	202.86 248.67	0.17	202.31 248.04	4.67	7 1	.99 20 20 km	res 5.	5.90	7.9	6.0					6.03 6.03	721 730
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	Annelling grow, reclamping		1004 jöq	e. Cooper Dis	edet Line: (P ·	k-Tulk; pla	inin Pi-1	MSC High:	11% mai pent,	† Pler yleki.	yai Maar k							
	FT Pixed Inter			ing 15 liky	14 May	13. Yr min	i iligir	Low			N- 10	Way 18	Man ele	12-14		M		1 mg 3 mg
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1 Int.	UK GILTS			75). Made 100:	Communication	Securities 1	510/25 and	Florid (chips	at 1629. SE 2:1	aty indices to	1974 1974	. Fired later						_
47	OK GILIS									. —				_				
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1 ML 22	Shorter #Jones up to Fin Trans 157-pic 9844 Each 12px 1998	1507 11.73	7.12 1029 7.13 1029	4 -4 111 d -4 100 g -4 100		Trans 10pc : Fracting 3½ Carr 9½00	90: 1999-4 <u>.</u> 2004	# 8.41 _ 3.79 _ 8.07	8.20 / 1870ad 4.95 8211 8.11 1173,	가는 130 가는 15 115	L 858	2 ¹ 2pt; '98 2 ¹ 200 '01		의 - 축 2년	4 3.21	191 <u>Hal</u>	-j _a 181	3.00
	Trace 91 ₂₀ c 1965;† Trace Fig Race 1969;‡ Each 721 ₄ pc 1989	_ 53	7.10 101 - 100 8.35 104	7 7 10	组 181基 03. 1003	Tream 6-lape Down 91-no	2004#	_ 6.50 7.88	8.03 193 % ±	12 12 12 12 12 12 12 12 12 12 12 12 12 1	5 975 5 1134	21200 103 21200 103 45400 104		94) 30 94) 30 56 29	p 331	19735 195°ad 12835	小城	11 1874 21 1874 21 1775
int	Trees, 10 ¹ 20c 1993 Trees, 6pc 1999 ##	_ 10.15 _ 0.05	6.94 1037 ₀ 6.74 99	4 - 100 4 - 100		Each 10 ² -pc Tiess 12 ¹ -pc Trees 5 ¹ -pc	2005##	# 834 - 948 - 7,40	6.08 12533 6.14 129 5 11 6.00 11443	+6 127 139	6 1885 6 1283 7 2072	21 ₂ pc 106 _ 21 ₂ pc 108 21 ₂ pc 11		9.5) 28 1.6) 28 4.8) 28	3 3.08 2 3.04	212 1975-1	-1 20 -1 100	通 加
505 12	Coder 104apr; 1999	_ 9.77	6,75 TOP\$	d +à 191	184	Com State Trees 71-pe Trees 71-pe	2005#	# 7.80 _ 6.82 _ 8.94	6.03 11493 5.96 1345 5.99 109(3	130 +4 116 +4 126 +3 111	2 1079 1 1162 1 10113	21 ₂ pc 13 21 ₂ pc 18		8.2) 2.6 11.6) 2.6	5 294	202-1 169(1 163)1	7 10	为小型强速运输用户联系统统统 (1916年) 1916年 (1916年) (1916年) 1916年 (1916年) (1916年) (1916年) (1916年) (1916年) 1916年 (1916年) (1916年) (1916年) (1916年) (1916年) (1916年) (1916年) (1
						Trees 11-la	IQ2-6井 c 2003-7	_ 7.53, _ 6.63	6.32 1063 6.32 1063 6.34 122	112 +4 123 +4 123 +4 135 +4 135 +4 135 +4 135	& 102jj } 102jj j 120j	21 ₂₉ c 70 31 ₄₉ c 74 41 ₈ c 70	#	80, 28 7 <i>3</i>) 28 5.1) 28	4 290	1512	· · · · · · · · · · · · · · · · · · ·	
	Trans 81-00: 2000		· 6.77 1029	io	9TS 10288	Treats (1/200) Treats (7/400) Treats (13 ¹ 20)	207#	_ 724 _ 502 \$ 908	5.94 117 <u>13</u> 5.92 109 <u>1</u> 5 6.23 135 <u>3</u>	+6 119	108 <u>2</u> 1 99 1 1 122 <u>1</u> 3	Prospective	Red order	elles rate e	e smisse	i laRutina	 	H 25%
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8	Trees 10pt 2001	\$20 \$ \$27	8.22 186 8.58 108 6.57 109	-111	は、 10章 以 107以	Trans 51 ₂₀₀ c Trans 73 ₄ pc	2000-1211 2012-1511	- 5.66 - 6.67	5.00 17.5 6.00 1184	+3 85	854 1 1034				٠.			
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205						Trans Silgo Back 12pt 2 Trans Spc 21	013-17. <u> </u>	- 551 - 7.45 - 532	5.91 122 <u>3</u> 5.94 161 <u>2</u> 6.87 1265	4 100 4 100 4 100	1143 1434 1674			otes ja	Yeard			e la la la la la la la la la la la la la
363									107		1017L							
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Dollar firm as Fed makes no change

MARKETS REPORT By Daniel Dombey and Simon

The dollar held firm in late US trading after the Federal Reserve said it was leaving interest rates unchanged. Most in the market had expected no move from the Fed's open market committee meeting. However, for the first time in months there had seemed to be a sig-nificant chance of a rate rise. In dull trading before the Fed's decision the dollar had dropped 0.55 pigs against the D-Mark to DM1.7825 and risen another Y0.3 against the yen to Y136.4. It held those levels after the announcement. The Federal funds rate, which stands at

5.50 per cent, has not changed since March 1997. The market had been divided over whether a rate rise would help the dollar. The US stock market has risen so far in recent months

officent from Eq.

POUND SPOT FORWARD AGAINST THE POUND

that many investors think a Fed move would bring it tumbling down - which could hurt the dollar. A rate rise could also shake Asian

Lingering effects of the Asian crisis brought about the two most dramatic interventions of the day, in Moscow and Jakarta

Russia's central bank pushed up its refinancing rate by 20 percentage points to 50 per cent, a step which brought the rouble within its official trading range after it had pushed against the limits on Monday. The bank narrowed its quotation rates from 6.1350/6.1750 from 6.1130/6.1800 the day before. The currency has suffered

from bouts of weakness POUND IN NEW YORK -- Prev. close --1.6240 1.6215 1.6169 1.5996 1.6215 1.6189 1.6145 1.3371

throughout the year so far. This has largely been impelled by fears about emerging markets set off by the weakness in east Asia but also by concerns about Russia's economy and budget deficit.

Although not the headline interest rate, the refinancing rate serves as a cap on trea-sury bill yields and so exer-cises considerable influence rency market. Sergei Dubinin, the central

bank head, disclosed that the bank had spent about \$500m in defending the currency over the last week, bringing reserves down to \$15.5bn. "Reserves are low, and

\$2bn-3bn dollars are tied up in gold, but these yield levels are sufficient to stop inves tors from getting out the market," said Tony Norfield. currency strategist and treasury economist at ABN AMRO in London. The Polish zloty also lands symbol to dollar film per 15

briefly suffered from the

attention Russia has been getting. But the currency edged up on the day at 3.4545 to the dollar, after touching ■ President Suharto's announcement of his impending resignation was

16,000 to the dollar in early trade, stabilised at about 12,600, up 2 per cent on the

tions and saying that he would not stand again, Mr Suharto mentioned no date for his departure. Further demonstrations against his government are expected this week, after days of protests and rioting that have brought the country into

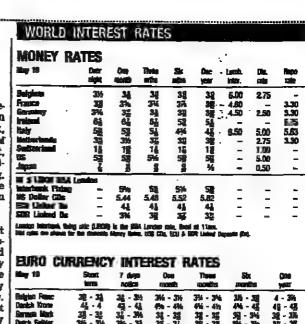
The rupiah's limited recovery stemmed from increased hopes that any transition of power in the country would

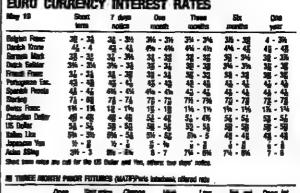
WOTHER CHRRENCIES | Tags | even more momentous. But the markets were unsure

rupiah, which fell as low as gist at Deutsche Morgan Grenfell in New York, argued that the problems of South Korea's government, tion leader Kim Dae Jung. showed that even a more democratic administration in

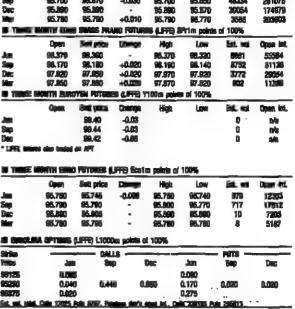
> Mr Suharto's statement helped the ven hold still ves terday, but analysis warned the currency might enjoy only a brief respite from the weakness that on Monday took it to a seven-year low. The yen ended the day at Y136.1 to the dollar, largely unchanged. The Bank of Japan declined to cut rates below their rock-bottom lev-

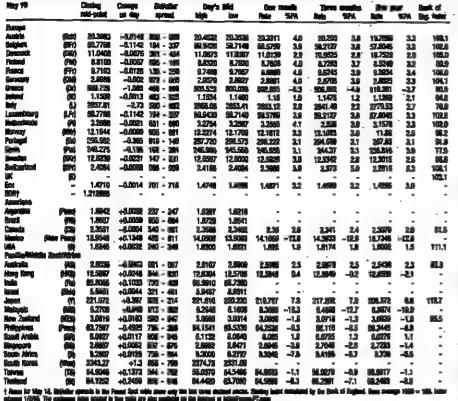
■ The pound strengthened marginally to the dollar, to measured by the UK's Retail Price Index, hit 4 per cent for the first time in almost six years in April.

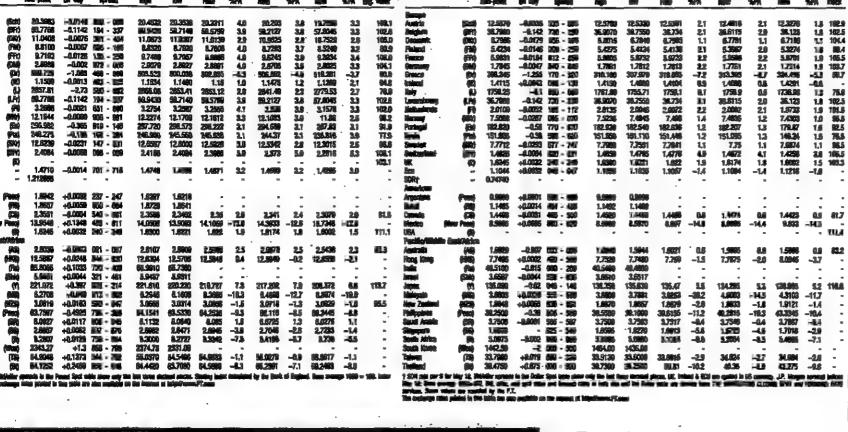




Short term rates are call for the US Dalar and Yes, others; two days' notice.														
AN THREE	AN THREE MORRY PURCE FUTURES (NATF) Puris Interioris, others right													
	Open	20 100	(Zinnge	High	Low	B. W	Open int.							
Jan.	96.555	98.365	+0.35	96.355	B6.395	5.878	76.423							
Sep	96.170	96,170	+0.85	96.175	96.170	7,753	36,907							
							•							
IN THACE		OMARK PUTT		Ditting pol	nts of 100%									
	Open	Solt price	(High	1000	Est. voi	Open lat.							
400	96.340	98.345	≠0.015	96.345	96.330	#177	376974							
Sep	9EL185	96.180	+0.020	96,180	96.180	50005	395563							
Dec	95.540	95.940	+0.0	25.945	65.925	33303	C34(50)							
Mar	95.M5	95,300	+0.005	95.805	95.785	18354	300068							
III ONE M	والثالة والثاث	CARK PATTURE	E (LIFFE)	Alian politi	of 100%									
	Орел	Sett price		High	1.000	BH. 10	Open int.							
Jun .		96.410	+0.010			9	0							
Joi		96.365	+0.010			9	0							
IN TRACE MONTH SONOLBA POTUNES (LIFFE) L1000m points of 100%														
	Open	Sett price		High	LOW	Est. voi	Open int.							
Jan	95,190	35.120	-0.060	85.190	95.100	- 17.5	247652							
Sep	95.700	95.679	-0.036	85.700	95.650	48334	281075							
Dec	35.290	95.390		95.890	95.870	30054	174979							
	95,780	95,790	+0.010	95,790	95.770	3585	203903							
		SHAME ITA	HG FOTURE	S (LFFE) ST	rim points	of 100%								
	Open	Test proper	(Inmor	High	Low	Est, wa	Open int.							
Am	98.379	99.360	-	96.370	98.330	8661	55584							
Sap	86.170	98.180	+0.020	96.190	98.140	8752	51136							
Dec	97.820	87.050	+0.050	97.970	97.920	3772	29054							
Her	97.850	97_890	+0.0	97,870	97.820	805	122							
THE	MONTH BUR	YEN PUTUE	S (LFFE) Y	ماخرم 1000	of 100%									
	Open	Set jenn	Crienge	High	Low	H. 44	Open int.							
Jan .		39.40	-0.03			0 .	n/a							
Sep		99.44	-0.03			0	n/s							
Dec		99,42	-0.05			0	16							
· LPR No.	to des trajej	AL REL												
in west		Times &	ESS Évris		DOM:									
-	TOTAL DESIGNATION	LAINER	110 BAIL	had a	DD-9	_								







EXCHA	NGE	CROSS	RATE	35														
May	19	Bir	Debr-	FFr		*	L	Ħ	Nir-	- Ba	- 76	890:	art	E	25		_ 7	Bat
elakara	(SFO	100	18.47	18.26	4.849	1,925	4781	5,465	20.40,	496.8	412.0	21,12	4,029	1.573	3.340	2718	309.8	2.461
enmark	(DR)	54.14	10	8.803	2.626	1.042	- 2586	2,969	11.04	209.0	222.1	17.43	2161	9.906	2,122	1.671	200.2	1.332
	(FFr)	61.50	11,36	10	2.968	1.184	2940	3,361	12.95	205.6	253.4	12.90	2.478	1.028	2423	1.971	227.5	1.513
THE	(DNQ	20.62	408.E	3,353	1	0.397	985.9	1.127	4,207	102.4	84.96	4,285	0.831	0.345	0.812	9,560	76.26	9.507
bland	(40)	51.94	9.593		2519	-11	2488	2,835	10.00	258.1	214.0	10.97	2.093	0.566	2.046	1.412	192,1	1.278
ek;	64	2.002	0.200		0.101	0.040	100	0.114	0.427	10.39	8.518	0.442	0.094	0.035	0.082	0.057	7.736	0.061
Hiterighds	(7)	18.30	3.360		0.887	0.352	874.9	-1	3.733	90,91	75,36	3.065	0.737	0.306	0.721	B.407	67.63	0,490
DUMBA	(Pilitor)	49.02	9.054		2.377	0.944	2344	2,879	10	243.5	202.0	10.35	1.975	0.820	1.931	1.332	181.3	1.206
ringal	(54)	20.15	3.718		0.976	0.388	982.3	1.100	4.105	100	82,93	4.251	0.811	0.337	(1.793)	0.547	74,44	0.495
nein .	(Pts)	24.27	4.463		1.177	0.467	1160	1,320	4.952	120.6	190	5.126	0.978	0.406	0.956	0.668	99.77	0.597
min.	(SKr)	47.35	8.748	7.896	2.2	0.912	2284 1187	2,568	2.860	235.3 123.3	195.1	10°	1,908	0.792 0.415	1.368	1.287	175.1 91.79	1.185 0.811
witzeriand	(BF4)	24.82	4.564	4.036	1.204	0.478	2856	1,356	5,083 · 12,19	297.0	246.3	12.62	2.408	1	2.368	1.625	201.3	1.473
Κ.		59.78	11.04		2.399 1.231	1.151 0.489	1213	1.357	3.170	128.1	104.6	5.360	1.023	8.425	1	1.063	83.87	0.025
Leide		25.38 38.80	4,668	4.127 5.983	1.785	0.709	1750	2.011	7.907	182.8	151.8	7.771	1.483	0.425	1.450	1	1267	0.905
9.K	(8)		6.797		1.311	0.708	1293	1.478	5.518	1343	111.4	5.710	1.086	0.452	1.065	0.735	100	0.685
iperi m	(0)	27.04 40.64	4,994 7,508	6.806	1.971	0.782	1913	2,221	8.291	201.9	167.4	8.583	1,637	0.680	1.801	1.104	150.3	1
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	0.5610	0.5618	+0.0008	0.5623	0.5	9000	22,940	120,613	Airci		0.7372	0.7384	+0,0016				f1,021	100,700
	0.5545	0.5647	+0,0006			3642	587	5,426	8ep		0.7476	0.7479	+0,0012	0,74	16 A.	408	1,306	3,301
		0.5668	-	_		-	_	137			_	0.7586	_	_		_	223	

Sep 0.5545 Dec -	0.5647	+0,0006	0.5647	0.5642	587	5,426 137	Sep Deci	0.7476	0.7479 0.7586
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340 0.6526 Dec	0.6830 ··· 0.6889	+0.0007	0.6836	0.6826	38 1	1,597 48	Sup . Dec	1.6150	1.6158 · 1.6090
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	Open "	Sett price	Change	High	Low	Est vol	Open lat.
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	92,570	62,560	-0.020	92,588	92.540	22944	109358
Sep Ter	82,720	92,700	0.020	92,730	. 92.680	36866	. 118232
	92,900	92.880	-0.020	92.910	92.660	24491	99415
Am.	93.090	93.060	-0.020	93.100	93.050	, GEDS	22136
Alen Imates	un APT. All Ope	salvesi fin.	-	20 RE			
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		CALL				- FIDS -	
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	0.030		0.	2.0	0.165	Distance of	-
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92500- 92636	0.010 A Cala 17166 P	ab 27506. Po	-	oper M., I	4,655	W 2020	

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As Warren Buffett, the prominent US investor, was acquiring 4,000 tonnes of silver last year, millions of Indians, the world's biggest consumers of the metal. clear in the latest market survey from the Washingtonbased Silver Institute.

sharply towards the end of 1997, reflecting the buying activities of Mr Bullett's Berkshire Hathaway investment group, imports to India virtually dried un.

In India, most silver is

metal as a form of saving. They do not look at the dol lar price but at the cost in their domestic currency.

"At present, they buy when the price falls below Rs7,000 and stop buying when silver goes above ray, managing director of Gold Fields Mineral Services. the consultancy that compiled the survey.

was languishing in the first half of last year - hitting a four-year low of \$4.22 a troy ounce in mid July - India's bullion imports were "phe nomenal". As the price increased, to touch a ninebought by farmers in the year high of \$6.27 in late

Silver: world supply and demand										
	1994	1985	1995	1997						
Supply										
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Impliet Dainstatment	191.4	163.0	101,4	120,6						
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virtually nothing

unprecedented level of Mr Murray said the Indian imports in the record second silver "buyers' strike" was the price of gold, also

savings, was falling. Mr Buffett was attracted

to silver by the low price, but he was also influenced by the way demand had exceeded conventional supply ~ from mines and scrap

In 1997, the "statistical deficit" was 130m ounces or 4,031 tonnes. Between 1990 and 1997, cumulative silver fairrication demand exceeded mine supply by 2,226m onness. The gap has been filled by recycled silver almost entirely from the photographic industry. and more than 1,084m ounces from silver stocks -700m from identifiable bullion stocks and the balance

favoured in India for from private holdings. Mr Murray suggested the "statistical deficit" would continue for some years and the key question was whether the price had moved enough to bring the market into balance

He said Indian silver imports had picked up again in March but were still relatively low. With silver back yesterday at \$5.28 an ounce. it seems that, for the time being, Mr Buffett and others price are not doing well in their battle with the Indians. World Silver Survey 1998

from the Silver Institute, 1112 16th Street, N.W., Suite 240, Washington, DC 20036, US:

on Indonesia helps coffee

MARKETS REPORT By Gary Mead and Konneth Gooding

Coffee traders on the London International Financial Futures and Options Exchange took an unemotional view of the continuing uncertainty in Indonesia yesterday, with a developing consensus that disruption to transportation and administrative aspects of coffee trading may be minimal and

"I think speculation over supply disruptions for Indon-esta is premature and that to close yesterday at \$1,677 a most of the price jumps have related to traders holding back coffee because of the collapsing rupiah. Now sentiment towards the Indonegian convency has improved. the supply situation is likely to be better than the speculators have been implying," said Lawrence Eagles, bead

of research at GNL Traders are talking of a 1998-1999 Indonesian robusta harvest of 300,000-325,000 tonnes, following drought and poor photosynthesis, against a more typical yield of 430,000 tonnes. However, this low expectation has probably already been factored into the price, and may be offset by an expected

large Brazilian harvest. On Liffe, the July robusts tonne, \$45 lower, partly because of the calmer view of Indonesia's problems and partly as a result of the ent expiry of the May contract, which, closing \$185 lower (at \$2,065 a tonne), softened the whole market. Elsewhere on Liffe cocos futures also ended lower, the

July contract closing at 21,127 a tonne, £14 down, as profit-taking continued. News that Russia will

tion of Petroleum Exporting Countries failed to boost the flagging spirits of crude oil traders yesterday. The onset of warmer weather in the northern hemisphere signalled the start of further slackening demand. On the International Petroleum Exchange in London Brent crude for July continued to drift within a 15 cent range and was down 1 cent a bar-rel in later trading, at \$14.45. On the London Metal Exchange copper's price steadied after falling by

I MARTIN

fall on Monday, said traders, but it was the big increase in copper supply scheduled to hit the market in the next two to three years that was likely to drive prices lower.

tonne, up \$12, or nearly 1 per

"Some traders are talking about prices as low as \$1,400 a tonne," said Jim Lennon, analyst at Macquarie Equities, part of the Australian banking group. "The past relationship between industry costs and prices at the bottom of the economic cycle means such levels are not out of the question.

He pointed to a Brook Runt consultancy report that suggested copper prices would have to average about contract closed at \$1,910 a - \$1,543 a tonne next year and in 2000 to generate the big production cuts needed to balance the market. The report drew a parallel with the early 1980s when copper prices at or below \$1,548 were needed for four years to induce 1.1m tonnes of annual capacity to be cut at 65 copper mines.

20 Table 2018

0.925.78

On the bullion market, patladium's price, which reached a record in London on Monday, eased back to

Hedging blamed for gold's loss of shine

Barrick prospers but some fear forward selling may kill the industry, says Edward Alden

price - it slid last year to its lowest level in nearly 18 use of bedging by producers. The world's biggest and most effective hedger is Barrick Gold, and at the compalast week, Peter Munk,

chairman, indicated why. The company, North America's second largest gold producer, had just come through what Mr Munk called "a devastatingly bad year" in which gold prices dropped 25 per cent and the average share price in the industry fell 45 per cent. Barearly in the year to less than

\$19 by the year's end. However, not only had it of 1998 it turned in a 36 per despite gold prices remaining near \$300 an ounce.

cost-cutting programme, but most of the attention has focused on its aggressive

COMMODITIES PRICES

te World Gold Council In 1997, Barrick's forward-quite so enthusiastic. There tral bank. The company pays has blamed the dramatic selling meant its entire pro-fall in the world's gold duction realised \$420 ap ounce, \$88 above the average spot price for the year. That years - on the increasing produced an extra \$269m in revenue and \$200m in earnings, said Randall Oliphant, chief financial officer. Over the past 10 years, Barrick ny's annual general meeting has earned an average premium of \$46 an ounce over the spot price.

Hedging has been remarkably effective, particularly in the long bear market for gold, most analysts say. Canada's Placer Dome realised strong first-quarter profits ounce, and Australia's Normandy Mining has hedged rick shares dropped from \$31 about 80 per cent of its reserves. Companies that have mostly eschewed hedging, such as Newmont Minsurvived, in the first quarter ing, North America's largest gold producer, are more exposed to the continued

weakness of gold prices. 'Of all the gold companies The company benefited in North America, they (Barfrom rising production and a rick] have been the greatest winner," says Todd Hinrichs. senior mining analyst with ARN Amm in Chicago

are many who fear the practice may destroy the gold business. The large quantities of gold dumped on the market as a result of forward selling have, they fear, seriously depressed the price of gold and perhaps tarnished its lustre permanently.

"They've damaged their underlying business," says Graham Birch, who heads the gold and mining team at Mercury Asset Management in London, one of the UK's largest institutional buyers of gold stocks. Without a doubt they've contributed to the weakness in the gold market, which has affected their stock valuation." While Barrick's stock has recovered to \$22. it has yet to regain more than a fraction of last year's slide.

The gold business lends itself to a unique kind of forward selling, because of the large quantities of gold in the world's central banks. While there are variations. the basic arrangement works like this. A company bor-

rows gold from a builion

dealer or bank, which bor-

rows the metal from a cen-

The gold is immediately sold into the spot market, and the proceeds banked to earn interest rate returns of 6 per cent or higher. Gold from production is delivered two, three or more years later against the contract and returned to the central bank. By that time the company has earned not only the proceeds from the origi-

a lease rate of roughly 2 per

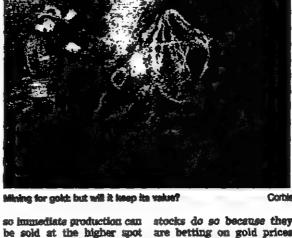
cent for the privilege.

profits in the interim. says Larry Strauss, senior mining analyst with Canaccord Capital in Toronto, "To me it's a no-brainer."

nal spot sale, but interest

arrick says it currently has 10m ounces - about three years' production - hedged at more than \$400 an ounce, creating a \$4bn asset that can earn \$200m a year with a 5 per cent net return. Critics say the arrangement depends on the spot price of gold not rising above the forward price.

But Barrick has entered into flexible contracts that good bet. allow delivery to be deferred



be sold at the higher spot price. Unlike other companies with smaller gold reserves or less solid cash positions, Barrick can defer contracts up to 15 years.

Detractors like Mr Birch at MAM say the strategy leaves changes in the futures market, but ABN Amro's Mr Hinrichs says the odds of such events are sufficiently small to make hedging a

are betting on gold prices rising, says Mr Strauss at Canacord. "They want that leverage." A bedged company like Barrick, in contrast, offers stable returns over longer periods, but will not realise the same boost if gold surges

Mr Birch says that while he continues to buy Barrick shares, "we want the unside potential of a gold price, and it's very important that upside potential remains

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playing marine life (4) 5 Southern out keeps one

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1 Smoke time returns, which 4 Fish and fish - the big one 9 Woe often leads one to 10 Frothy sweet for sick sailor in submarine (8)

12 Marker with stripe that 11 "Physician, barely runs (8) 13 Idea of an O, they tell us (6) 14 O not wanting a row (7) 17 Courser after O for liner

16 Request one by one in attractive style (10)

missing holds court in an 0 (6) 25 Weapon produced by burn- 26 Sound of top dog (4) ing one's boats? (4.4)

27 A feeling provoked by a party in Ireland (4.4)

28 Make an ascription for which I get myself put incide (5)

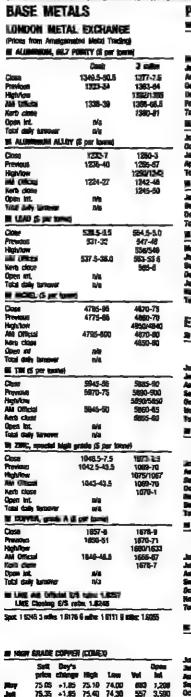
29 Remains unfinished ~ all true from now on? (4,4) 38 24 hours in future? (3.3) DOWN

1 Thanks to bachelor's company, it's a hot sauce (7) 2 in old old case, sailor's number is O (9) 3 A file on a summer O (6)

you turn hot, within res-son (9)
18 Management is furious about champion's failure to score (6,2)
19 Afraid to raise sail into the wind without audience (7) 20 The little page is going to 21 Peep out and shoop around, being hot and sharp (7) 23 A rich husband briefly 22 Closely related O before the days of oil and gas? (6)

fish (8) 7 Religious leader nearly use-

less at sport (5) 8 Singer's sweetheart 29 across the O - bring her back! (2.5)



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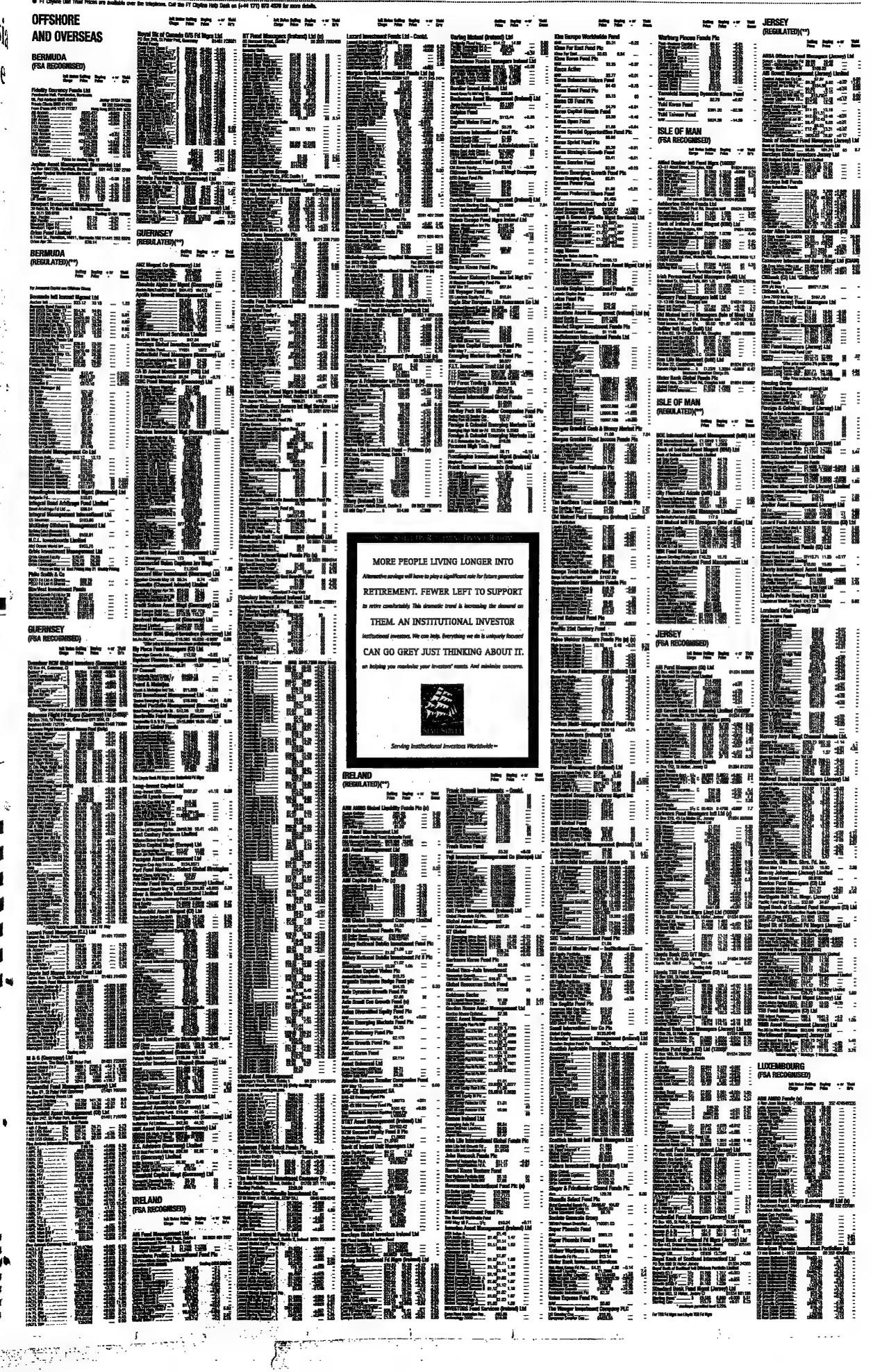
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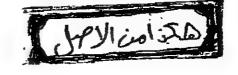
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FINANCIAL TIMES WEDNESDAY MAY 20 1998

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

Birmingham welcomes 700,000 visitors to the International Motor Show.

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It pays to push your PEPs around.

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Helping Investors Help Themselves

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العكة امن الاعلى

ALCOHOLIC BEVERAGES

B. Jack Spirite Spirit

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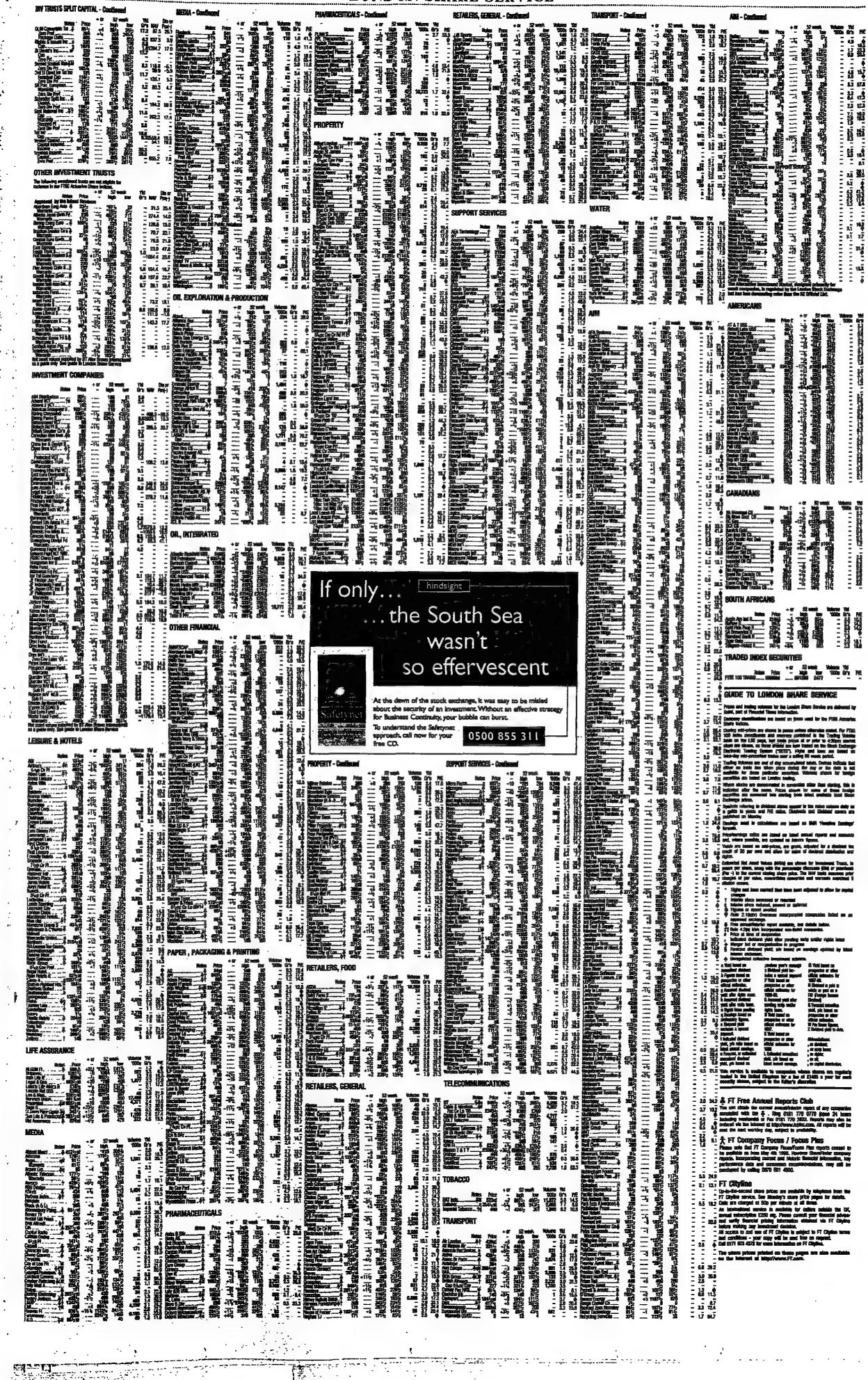
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INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE



Leaders rally well as smallcaps hit record high

MARKET REPORT By Steve Thompson, UK Stock Market Editor

London's front-line stocks staged a strong rebound yesterday after suffering three straight sessions of heavy falls as more hard takeover activity reminded investors of the potential for much more bid/merger news in

And London was much chances of a rate rise in the the Federal Reserve open market committee's decision

ing was that rates would and closing peaks. probably be left on hold for the time being.

There remained some concerns, however, that the Federal Reserve would issue some form of warning that rates might have to be pushed higher in coming the midcaps and smallcaps months if inflationary pres- offered better value than the sure began to threaten.

While there were no such upside fireworks in the mar- more bids in the pipeline. more sanguine about the ket's second and third-line stocks, they both maintained upward momentum, with the FTSE 250 nudging ahead morning, he said the market and threatening its all-time had taken the figures in its

"London was a bit twitchy at the start but once the hids starting rolling in and the better feel about US rates kicked in, we felt much better," said one marketmaker. He insisted, however, that

leaders, citing the widespread rumours of many Asked about inflation and public finance data announced during the mid-

the US."

At the finish of a busy trading session the FTSE 100 The SmallCap, on the was 51.6 ahead at 5,877.8, other hand, gave another having got to within five points of the 5,900 level dur-ing the mid-afternoon when the Dow Jones Industrial Average was moving up 9.0. steadily higher. Not long

The FTSE 250 index scrambled about for much of the rallying, slipping back and then pushing ahead again number of 4.1 per cent, up was 855m shares.

closed, but the overall feel- Cap hitting new intraday shocks in the numbers - the ally settling with a 2.7 gain caused only momentary shock might come later from at 5,785.2, only 2.6 from its unease, however, and had record close and 7.9 off its been widely predicted previous intra-day record.

powerful performance, building quietly on a good open-ing and finishing at a closing and intra-day peak of 2,760.5,

There was a bout of marafter London closed, the Dow ket indigestion when the was up about 50 points. April inflation data was released along with news of the public finances during

be as swift as previously

to £16.63 as the international

banking group stressed its

commitment to investment

banking. There has been

speculation that it intends to

British Rnergy gained 18%

sharp rise in annual profits.

Analysts were expecting to

upgrade their current-year

estimates after the company

against a consensus forecast

upgraded its recommenda-

tion on Pearson, the media group that owns the Finan-

cial Times, to "buy" from accumulate". Pearson, which announced

Pearson upgrade

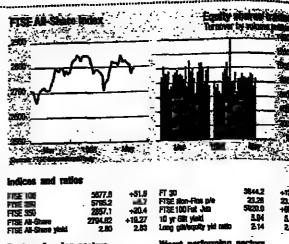
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on interest rates as London high, and the FTSE Small- stride. "There were no real just before the close, eventu- 1.1 per cent on the month, including the effects of the Budget moves on petrol, diesel and mortgage payments.

Much better than forecast public finances showed a debt repayment of £3.4bn. against a forecast repayment of £0.25bn, and played a part in restoring confidence to sentiment in the market.

on coming, notably a £260m agreed bid for EIS, the aero-



Disposal boosts Sainsbury

COMPANIES REPORT By Peter John and Martin Brice

Two of the UK's prestige retailers - J. Sainsbury and Next - headed the list of Footnie risers on the back of a couple of well-received

Sainsbury ended the day more than 7 per cent up after it said it had sold its holding in Giant Food of the US to Ahold of the Netherlands for more than \$500m.

The company said this represented a profit of more than \$160m on its three-anda-half-year investment in Glant, Shares in Sainsbury, which has recently lost ground to arch-rival Tesco, G FIE toward Links 1891 At this resent for 1891. rose 34% to 515%p.

Enthusiasm for the high street rippled over to Next, which jumped 83% to 521p after the company gave a reassuring trading update.

Analysts found disappointing the sales growth of only 0.5 per cent in the 15 weeks since the beginning of But there was great relief

that there was no further bad news to follow the profits warning in March and they said the outlook was

Also, the presentation (1971) The b marked a turning point after 40 per cent underperform-

ance against the sector over the past 12 months.

However, one broker said the company was likely to fall out of the Footsie when the index steering committee meets next month, and it 5750 might lose the support of big Another said the share price squeeze in the stock.

On the other hand, Marks & Spencer fell back expected the retail climate to get harsher this year, partly because windfalls from demutualised building societies would be for lower than last year's £20bn.

Ord. div. yields 2.85 2.86 ME natio met 23.94 23.90 8 ME tatio mit 23.72 23.69 7 N 39 dates compilation high 2888.3 (4.0588) incr

STOCK MARKET TRADING DATA

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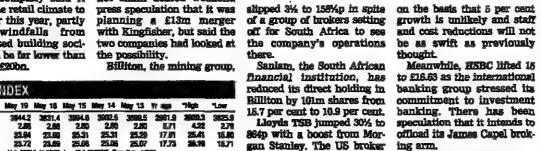
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Total con

One analyst described the statement as a disguised profits warning, and bearish CSFB cut its full-year profit forecast by £45m to £1,090m. The shares closed 4 off at Meanwhile, Asda was

institutional investors. restrained to a rise of only 3% to 184p as Morgan Stanrise was exaggerated by a ley downgraded its recommendation to "outperform' from "strong buy". On Monday, the supermarafter the company said it ket chain denied weekend

> planning a £13m merger with Kingfisher, but said the two companies had looked at the possibility. Billiton, the mining group,



93,093 45,589 2596,1 2495,1 43,000 43,840 728,1 659,0

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15.7 per cent to 10.9 per cent. Lloyds TSB jumped 30½ to 864p with a boost from Morgan Stanley. The US broker upgraded its rating on the shares to "strong buy" from 'outperform". The shares had fallen

almost 25 per cent from the £11.00 peak in mid April revealed profits of £191m because of profit-taking and fears over margins in mortof £165m and a 10p special gage lending. Morgan said the share price drop and the dividend. worries over its mortgage operation were overdone and it maintained a price target of £10.88. National Westminster was

held back to a gain of only 3 at £11.51 as the market got wind of a downgrade by Dealers said the broker

All Futures, Options

on Monday it is buying the had cut its current-year educational division of profit forecast by 8 per cent Simon & Schuster from Viato about £1.89bo. The broker is believed to com of the US, rose 81/4 to have changed its numbers

Shares in companies with bus operations were a posttive feature as weighty research from Charterhouse the current price. Timey went to institutional

erm

tation white paper, Charterhouse recommended investors buy Go-Ahead Group, up 7% at 692%p, and FirstGroup, which now controls 20 per cent of the UK bus market. Its shares eased 3 to

National Express, which Charterhouse advised inves-tors to accumulate, gained 22

Strength among bus operators was confirmed by results from Metroline. Its shares rose 14 to 232%p after strong results that included and cost reductions will not a 25 per cent pre-tax advance to £2.62m, which was said to have prompted an upgrade Meanwhile, HSBC lifted 15 of forecasts for the current

year from £4.7m to 25.4m. Elsewhere in the transport sector, American Port Services rose 61/2 to 186p following the agreed cash offer offload its James Capel brok- from AB Ports, which lost 2

Euroteenel rose 3% to 610 to 563%p in response to a after a meeting of its French stop losing money by 2000, the shares would be worth almost twice current value. The property sector, long

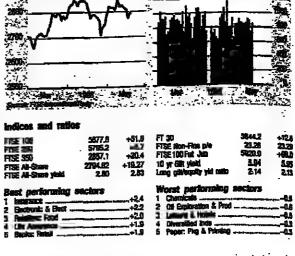
seen by analysts as ripe for consolidation, saw a series of statements on takeover Tractiond Park Estates was Broker Merrill Lynch up 11% at 191p after Green

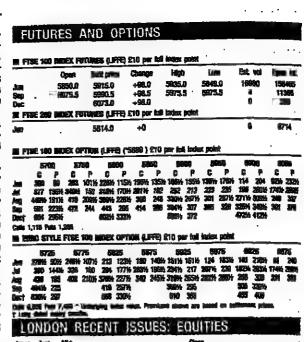
Property, the largest quoted property company in Ireland, made a paper offer worth 2120 a share with a 1900-a-share alternative.

However, Chesterfield Properties was down 80 at 612%p after it said takeover talks had ended. Delancey Estates fall 8% to

101p after it said talks would not result in a bid, but could lead to the issue of abares at a price substantially below Greenalis was off 14% at

focused on the likely effect slowdown in the spring, Capact FEE transfers Lines 1988, Al fight mercut Faces is bost by the spring of the country of the coun





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33 Food Producers(25) 34 Household Goods & Tisch(24)	4159.74 3482.70	+6.5 -0.1	4139.46 3484.65	4197.18 3539.97	2923.31 2953.80	2.59 3.16	2.21 2.81	Z.01 2.19	26.04 18.10	52.09 46.45	2018.14 1487.82	6.5 64 64	3,600	34574 365	-
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43 Media(41) 44 Retallets, Food(13) 45 Retallets, Remeal(48)	4608.70 2984.14 2415.87	+20	4607.22 2896.18	4627.73 2949.96	4304.41 2117.95	2.23 3.01	1.88 2.41	217	25.58 19.58	45.46 36.16	1744.36 2012.03	Lagal & Gandal Ubjeto 158 LAGANO	22.300	864	j
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INVESTISSEMENTS ATLANTIQUES SICAV Société d'Investissement à Capital Variable Registered Office: 14, me Aldringen, Luxembe R.C. Luxembourg Section B 8722

DIVIDEND ANNOUNCEMENT

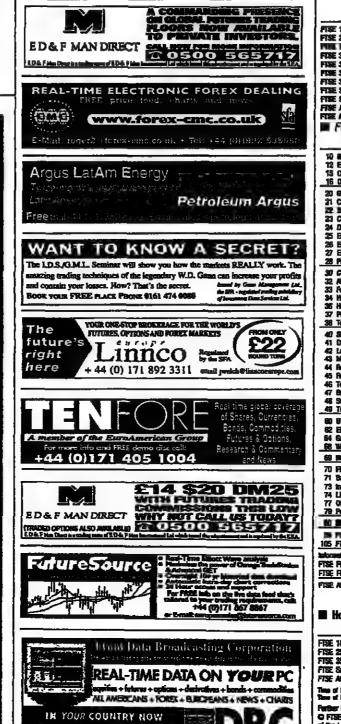
On 15 May 1896 the Annual General Meeting has announced the payment of a dividend of 10 cents per shere on the number of shares outstanding on 19 May 1998, exclividend date 20 May 1998, payable on or after 29 May 1998 against presentation of coupon no 19 of the old shares investissements Atlantiques S.A. or against presentation of coupon no 8 of the new shares investissements Atlantiques Sicav.

The Board of Directors



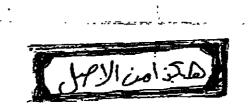


No FT, no comment.



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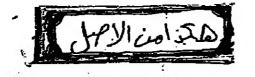
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GLOBAL EQUITY MARKETS US INDICES US DATA JAPAN FRANCE 15 14 High Low Mary Mary Mary 1998. 19 18 15 High Low 16sy 1996 15 High Low 19 18 7580.42 9211.84 41.22 (971) (13/5/90) (8/7/32) 開報 25 389159 85.25 CAC 40 3900.64 3945.31 3990.23 4010.76 2952.54 4010.76 984.61 1,104 2,036 1,104 2,036 1,746 524 52 43 65 78 47 3519 1,233 1,831 1,831 595 9150 Day's Night 15582.87. 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Bourses positive as eastern storms ease

WORLD OVERVIEW By Simon Davies

A rousing speech from President Subarto of Indonesia and dramatic interest rate increases in Russia shored up confidence in the

emerging markets yesterday. The Indonesian stock market rallied strongly, with the Jakarta composite index climbing 6.4 per cent following President Suharto's loose

tions in which he will not ket's RTS index recovered

volume However. vousness. The lack of a firm timetable for his retirement. along with concerns over his potential successor, will encourage continuing vola-

In Russia, the other great casualty of recent weeks, a 20 percentage point interest rate increase supported the strong consensus that rates currency and the stock mar-would be left unchanged.

almost 4 per cent.

With Japanese and Hong remained extremely thin, Kong equities also moving both intraday and all-time reflecting continuing ner- higher, there was an extremely positive backdrop for world equities. The US government assault on Microsoft did little to dent global investor confidence.

> There was some uncertainty preceding last night's annon cement on US interest rates, but given the

EUROPE

record territory.

peaked at an intra-day

5,446.03 before edging back

in late electronic trade to

close 97.34 or 1.8 per cent

Deutsche Bank put on

RWE was an outperformer,

rising DM5.10 to DM94.80 as

higher at a record 5,441.00.

most stock markets moved

Germany's Xetra Dax hit highs yesterday, with few domestic issues to drive the market except for relief at the apparent stabilisation of market turmoil in the east. The FTSE Eurotop 100

index gained 1.29 per cent on a relieved rally among blue-chip European stocks. James Montier, global strategist at BT Alex Brown,

ahead of itself in thinking the problems in Indonesia fied by current high returns are over, but there are large flows of funds coming into these markets." He argued that there was a significant earnings risk at current stock market valuations.

However, Goldman Sachs is continuing in its bullish stance, projecting 10 per cent growth in global equities over the next 12 months in its latest world investment strategy report.

tions are high, they are justion capital relative to the cost of capital. It is projecting the greates

increases from Asia, excluding Japan, with a forecast 63 per cent increase in Thailand, 43 per cent in Hong Kong and 30 per cent in

The report says: "In terms of relative market valuation, European markets such as Spain and Sweden look more

EMERGING MARKET FOCUS

Tiger acquires taste for noodles

One measure of South South Kores Korea's fall from grace is that its once-proud export industries - cars, ships, and semiconductors - are being shunned by foreign investors. Instead, interest has shifted to such humble companies as Nong Shim, a

maker of instant noodles. What has made Nong Shim a favourite among investors is that it is practically debt-free as opposed to Hyundai, Samsung and Korea's other big conglomerates, or cheebol, with average debts five times equity because of costly diversifica-

Analysts predict investors will concentrate on Nong Shim and other mid-sized companies with low debt when the foreign shareholding ceiling, now 55 per cent. is abolished on Friday.

But a defensive strategy based on corporate solvency is not likely to revive the Seoul bourse, which is hovering near an II-year low, because low-debt companies represent only a handful of listed companies.

ING Barings estimates that nearly 70 per cent of the Korean companies it follows tisation offer. Shares in the and they account for 90 per utility rose Pta 110 to Pta cent of the debt for the

won is also likely to scare off

Analysts believe the marafter the central bank ket will not recover until the stepped in to impose sharp main chaebol are seen to adopt the conservative manlikes of Nong Shim, which concentrated on its core food

Other favoured business with low debts include circuitboard maker Dae Duk

vice company S1, the Pusan and Seoul city gas companies and Namhae Chemical. Several blue-chip companies are considered to be in the charmed circle. SK Telecom, which dominates the local mobile telephone market, has a combination of low debts and high operating margins. Although 1997 net profits fell by 42 per cant because of strong competition, the recession is likely to weaken or eliminate

State-run Pohang Iron & Steel, one of the world's largest and most efficient steelmakers, also has a low debt burden compared with other big Korean companies.

Analysts also favour nearly debt-free Sindoricoh, which produces fax and copying machines that it exports on an original equipment manufacturing basis to its Japanese partner, Ricoh. Other strong picks include Medison, a highly profitable medical diagnostics company that has captured 70 per cent of the world's ultra-

sound equipment market, the semiconductor equipment maker Mirae, and telecom equipment supplier LG Information & Communica-

too many investors.

Dow rises as interest rate fears subside

AMERICAS

A broad-based rally lifted share prices on Wall Street as the market rebounded from the declines of recent sessions, writes Richard Waters in New York.

The market's bounce also Federal Reserve's open market committee, meeting yesterday, would decide to leave short-term interest rates \$121\frac{1}{16}.

Other drug companies also to be the case.

The Dow Jones Industrial Average was trading at 9,062.37 by mid-afternoon, a rise of 11.46. The Standard & Poor's 500 index shadowed this rise, climbing 2.72 to 1,108.54. The Nasdag composite rose 3.57 or 0.8 per cent to 471.31.

Technology stocks registered some of the biggest advances, with International Business Machines rising \$21 to \$1261 and Dell jump-

ing \$1% to \$96%. In early trading, Microsoft recovered some of the losses suffered the day before on news of the Justice Department's antitrust action. By early afternoon, however. the \$% gain had largely been

the New York Stock C\$20.10.

tography with Eastman Kodak also fuelled heavy trading, with its shares clim-

DuPont's shares jumped \$3% or nearly 4 per cent to \$83%, after the company announced that it would buy reflected a belief that the out Merck's share in a joint venture between the two companies. Merck, another

> rose. Both American Home Products and Warner-Lambert touched new record highs, with AHP up \$12 to \$50 and Warner-Lambert climbing \$3% to \$1974.

per cent on news of a takeover offer from Ahold, the

TORONTO moved lower with weaker golds and base metals plus some highprofile profit-taking at Sea-

Golds were unsettled by the market continued to take the softening bullion price a upheat view on its nine-Netscape, which could and the heavyweight count- month results. ers in the sector fell sharply. Viag rose DM32.10 to Barrick Gold came off DM966.10 in response to

Seagram tumbled C\$3.10 to motor stocks with a rise of C\$59.15 as investors opted to DM86.60 to DM2.028.

new venture in digital pholands.

SAO PAULO rallied in early that were doing the rounds trading, taking its cue from yesterday have been put on the strong opening tone on Wall Street and the better performance within a number of emerging markets, to R241 and Eletrobras 1.7 notably Russia and Indon-

Market heavyweight Telethan 7 per cent on Monday per cent at 10,398. when fears for higher US interest rates were rife and modest upward progress gave Johannesburg a late bullion price, gave up 1.3 per shares in Moscow fell more with the IBC index up 23.03 boost after the market had cent to 1,023.5. than 11 per cent, rebounded at 4,669.54 at midsession. Tel-

Petrobrás gained 1.2 per cent

mark Boyesna index was briss, which tumbled more showing a gain of 193 or 1.9 MEXICO CITY made more

devaluation scare stories ing off 10 centavos to 21.70.

hold," said one broker, Among other blue chips,

per cent to R\$42.70. At midsession, the bench-

mex mostly stayed on the "For the moment all the sidelines, ending the morn-

bing \$3 to \$86%. Among stocks in the Dow,

Financials regained ground lost on Monday as concerns eased about political unrest in Indonesia. Dow stock, gained \$1%, to DM4 to DM157.30, Dresdner Bank 95pfg to DM101.90 and Allianz DM20.60 to DM585.50.

Giant Foods, a supermarket chain, surged nearly 14

Dutch retail group. The company's stock was \$5% higher

gram counteracting the strong start on Wall Street. The 300 composite index was down 21.82 at 7,662.20 at

benefit from the Justice ers in the sector fell sharply. \$1 or 3.9 per cent to \$28 a. 85 cents at C\$30.95 and slightly better than expected the most actively traded on cipitously, losing 50 cents to results. Exchange, led by Compaq, which gained 12 to \$30%, and

Hewlett-Packard, which rose pocket some of the profits racked up in recent sessions Internet provider America by hopes for a link with Online's announcement of a PolyGram of the Nether-

35.53 higher at 3,980.84 in some of the best volume of the year with 27.3m shares changing hands. São Paulo rallies on cue

meeting, and France Tele- upbeat trading statement. com, the day's top peror 4.9 per cent to FFr335 techs group Bean gained

clung on to small gains for

Golds fall in spite of surge

The Dow's strong opening weighed down by a weak

The overall index ended after Merrill Lynch upgraded

0.5 per cent higher at 8,121.6 its rating on the stock.

in turnover of FF1785m. F12.40 to F192.70. Steel giant rose L96 to L3,670, calling a Banks put aside Monday's worries about Asian expo-aure and a possible rise for

Fed hopes lift Dax to record

Early strength on Wall Street and a growing convic-US interest rates. BNP tion that the Fed's onen margained FFr9 to FFr508 and ket committee would leave US interest rates unchanged Société Générale FFr52 to sent FRANKFURT into FFr1,218. Danone added FFr19 to FFr1,525 on opti-The Xetra Dax index mism from the annual meet-

ing. News of a property disposal lifted Axa-UAP FFr17 Oil tracked softer oil prices with Elf Aquitaine dipping FFr14 to FFr850 and not helped by news of plans for a temporary closure of

Dutch refining capacity, shed FFr21 to FFr748. ZURICH recovered after Monday's 2 per cent fall but activity was subdued as investors awaited news of US interest rates. The SMI index climbed 111.8 or 1.5 per

cent to 7,483.2. The pharmaceutical heavyweights, which saw selling on Monday, were among the biggest gainers. Roche certificates recouped SFr200 to SFr14,990 and Novartis SFr53 at SFr2,444.

Financials were higher in spite of lingering concerns about the outlook for US interest rates. UBS climbed SFr41 to SFr2,546 and its merger partner, SBC, gained SF18 to SF1548.

SMH bearers were marked SFr42 higher to SFr1.247 after Merrill Lynch issued a strong buy recommendation on the stock and set a price target of SFr1,500.

higher as concerns about US interest rates were put on Technology stocks were Placer Dome fell just as pre- 1997 and first-quarter hold and a number of strong corporate stories supported BMW stood out among the sentiment. The AEX index ended 25.83 better at 1.177.40. KLM surged Fl 3.30 to PARIS climbed to within a Fl 79.80 ahead of what are

whisker of 4,000 on the widely expected to be scar-CAC 40 index before closing away results today. Ahold jumped FI 3.70 or 5.7 per cent to F168.50 after a major expansion of US interchanging hands. ests. The group is bidding Lagardère rose FFr8 to \$3bn for Giant Food, and

FFr242.10 following positive Ahold yesterday combined statements at the annual the takeover news with an ASM Lithography rose former, advanced FFr15.50 Fl 2.70 to Fl 84 and rival

and financials also climbed

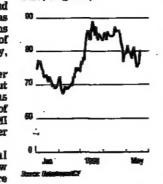
0.5 per cent to 9,867.6. Golds,

Gold Fields Coal was a big

gainer, jumping R1.60 to R12

ture, slipping Fl 2.30 to FI 903.50. MILAN rebounded almost 3 per cent, boosted by the gains on Wall Street as the FOMC meeting got under-way. The real-time Mibtel index climbed 677 to 23,830. Telecom Italia and ENI

were boosted by the US-Eu-Share price (guilders)



ropean Union accord to head off sanctions on trade with Cuba, Iran and Libya. Telecom Italia, which operates in Cuba, jumped L477 to L13,250 while ENI was L335 higher at L12,230.

Alitalia jumped L1,276 to L7,750 on the second day of its capital-raising exercise as investors continued buying a stock widely seen as having significant turnaround potential. The banks were stronger. Banca di Roma

Hoogovens was a dull fea- halt to its slide over the previous two sessions, which followed disappointment that no merger with BCI was planned. BCI was L328 higher at L10.005.

Generali jumped L2.091 to L54,900 as Morgan Stanley recommended the stock and set a price target of L65,000 based on the strength of the company in the domestic market and the insurer's prospects in Europe.

MADRID was supported by another active session for Endesa, where retail demand stayed strong ahead of next month's formal pricing of the \$8bn international priva- are considered "distressed". 3,660 after it was learned that retail investors had already bid more than 1.5 times their allocation of 70 per cent of the total issue.

MOSCOW regained its footing after the sharp falls of the past week and the RTS index anded 8.97 higher at 236.58. The rebound came rises in the key refinancing and Lombard rates, which calmed government securities and eased fears in the stock market.

868.43.

Written and edited by Michael Morgan, Peter Hall, Jeffrey Brown, Paul Gregan

many rivals.

entire market. Moreover, the Seoul bourse is likely to remain in the doldrums because of fears over more bankrupt-At the close, the general cles among main industrial index was 12.72 higher at groups and threats of labour unrest as the chaebol begin the painful task of shedding workers. A weakening of the

> overseas investors. agement practices of the

The shares of the favoured few are likely to be expensive as they are chased by

John Burton



CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

(Incorporated in Hong Kong with limited liability) ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 1997

e "Company") is pleased to amounts that the midited consolidated this for the year ended 31 December 1997 of the Company and is

subsidianes (the "Group") together with the 19 follows-	% соприние б	विग्रस्थ अर स्थ
	1997	1996 155
TURNOVER	7,794,666	6912927
Operating profit excluding exceptions! seems Exceptional seems (Note 1)	4,939,845 5,964,05?	4,736,002 2,606,341
Profit from ordinary activities Share of results of associated companies	10,903,902 305,306	7.342.343 212,578
Profit from ordinary activities before exciton Taxation (Note 2)	11,269,208 (155,977)	7,554,921 (65,105)
Profit attributchie to shareholden Interim dividends Pinal dividends	11.113,251 (1.428,600) (4.285,800)	7,491,815 (952,400) (4,762,000)
Profit for the year, retained	5,998,831	1,777 416
Earnings per share (Note 3)	0.117	0.079
Proposed final divident per share	1,045	ก,กรุก
Net asset value per share (Note 4)	1 19	1.045
Nester		

12,000,0001 5,964,057 2,005,441

Hong Kong profits tax is provided at 16.9% (1996-16,9%) on the extension assemble profits for the year. Overseas assembles is provided at various rates prevailing in the relevant jurisdictions. The calculation of estimates per state in based on the profit for the 15511,113,231 (1995) US\$7.491,8161 and 95,240,000 ordinary state

The calculation of the net amer value per stare is based up the net assets of US\$105,391,230 (1996: US\$105,496,249); and 95,240,000 ordinary shares) of US\$0,10 each in Istor.

An interior dividend of US93 015 per share was pold in cash to shareholdess on 36 September, 1997.

The Board of Directors has resolved to recommend at the forther The licens of Directors has resolved to recommend at the forthcomb Annual General Needing to be held on Monday, 29 June 1996 the payme of a final dividend of USSO,045 (approximately 10%0,55) per share. The final dividend of approved, will be paid on 18 July, 1098 in cash otherwise whose traines appear on the Register of Members on 20 Jun 1998. Total dividend for the year is USSO,06 per share.

The Board of Directors has also resolved to recommend at the forthcoming Annual General Meeting to be held on Monday, 29 June 1998 a bonus issue of new ahares in the share capital of the Company ("Bonus Issue of Shares") on the basis of one new share ("Bonus Share") for every five existing shares held by shareholders whose names appear on the Register of Members on 29 June 1998. The Bonus Issue of Shares will be conducted upons—

(1) the passing of the relevant ordinary resolution to approve the Bonus Issue of Stures by the shareholders of the Company at the Forthcoming annual general meeting to be convened on 29 June 1996; and

(2) the Listing Commission of the Stock Exchange granting a listing of, and permission to deal m, the Bonus Shares on the Stock Exchange. pergramon to deal in, the Boons States on the Stock Exchange.

The Boons Shares which will be credited as fully paid up from the share premium account of the Company will rank pari passu with the existing issued shares of the Company in all respects except that holders of the Boons Shares shall not be entitled to the final dividend recommended by the Board of Directors on 14 May 1998 for the year ended 31 December 1997. No fractional shares will be allowed and shares representing fractional entitlements will be aggregated and issued to a nominee to be named by the Directors and such shares, at such time as the nominee to the named by the Soid and the net proceeds thereof shall be resisted for the benefit of the Company.

It is expected that a circular respection, inter-allo, the Board Jame of Shares

INVESTMENT REVIEW AND OUTLOOK As at the end of 1997, the Group has invested US663.08 million in 11 unlisted investment projects, representing 59.9% of its total net asset value. Moreover, the Group has also invested approximately US50.99 million in shazers of fitted companies, mishly on the B-shares keed on the Sheathen and Shanghal Stock Exchanges in China and the H-shares and red chip shares based on the Hong Kong Stock Exchange.

maines assect on the Foring Kong Stock Exchange.

In line with the long-held investment ensurges of the Group, while seeking new investment opportunities, we keep on exploring profit-calding opportunities through assets realization. In 1997, the Group lass again exchieved good results in capital activities. The Group accessfully disposed of its investment interests in the Zhangzhou and Luomes sections of Nanotsal Highway No. 324 and realized a profit of approximately USS6.6 million. Since 1996, the Group had already disposed of four investments which generated satisfactory profits.

generated satisfactory profits.

The year 1998 is full of opportunities and challenges. Though the economic fundamentals of maintaind China and Hong Kong rensin favourable, the adverse impact of the Asian financial turning of Hong Kong and maintaind China would subsit for some time. The pace of economic development in China will slow down to a certain extent. Fortunately, the lowering of interest rates by the People's Bank of China in early 1998 will create new appears for the growth of the Chinase economy. It is believed that further development of the Chinase economy. It is believed that further development of the Chinase economy.

The Group currently possesses a considerable aims of funds through the realization of assets. The current policy of banks ugharing their credits opens us to a wider choice of investment opportunities, in the comman year, we will continue our efforts in exploring investment opportunities which are low rates and stable in return. In addition, we will strengthen our role to monitoring our investments to yield better returns to the Group.

By Order of the Board

Jakarta soars after Suharto pledge

Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Sa Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Salah Sa Salah

| Annie 19 年 19 日本 19

per cent higher.

exaggerate price movements at 347m shares. and indicated that many The banking sector gained uncertainties remain. 2.3 per cent. Sakura Bank
The composite index rose
24.90 to 413.82 as hopes grew
Tokyo Mitsubishi Y25 at that the president's com-

Rp300bn-Rp400bn.

flat at Rp375.

Paul Abrahams. benchmark Nikkei 225 aver- Y24 or 5 per cent to Y439. age to gain 167.18 or 1.1 per Casio, the electronics cent to 15,551.65, having group which announced cent to 15,551.65, having group which announced Power's tariff by more than Ayala Land fell 1 peso to traded between 15,582.87 and startlingly good results as a half. The KSE-100 index 14.25 pesos and San Miguel B

The recovery was broadly based, with the Topix index A promise of new elections of all first-section stocks and a pledge from President gaining 10.7 or 0.8 per cent to Subarto that he would not 1,219.86. The momentum was run again sent JAKARTA 6.4 up, with 709 shares higher, down and However, the very low unchanged. Volumes level of business tended to remained subdued, however,

Y1,530. Nippon Credit Bank ments increased the likeli- Y4 to Y132, Sumitomo Bank hood that he would depart Y33 to Y1,319 and LTCB Y8 gracefully and without vio- to Y212. Among the trading lence. Turnover of about companies, Tomen recovered Rp79bn was sharply down Y4 to Y108, and Itochu Y8 to from the recent average of Y312, in spite of the latter issuing a profits warning. to Y1,305. Shares linked to the Ishikawa Seisakusho, a tex-Suharto family were among tile machinery maker with the strongest gainers, extensive operations in Bimantara rose Rp125 to Indonesia, jumped 11 per Rp425, Astra rose Rp100 to cent to Y229. It was the Rp100 and Cirta Marga was fourth most heavily traded

stock on the exchange. TOKYO also received a sig- The weakness of the yen nificant boost from indica- continued to cause problems tions that President Suharto for sectors importing dollarwould step down, writes denominated raw materials The oil sector, which is also Banks and trading compa-suffering from falling petrol at 16,340. nies with exposure to Indon- pump prices, fell 1.9 per esia rebounded, helping the cent. Nippon Oil dropped

SE Privace and Securities Index

SOUTH AFRICA

much of the session.



forecast for the current year, jumped Y120 or 10 per cent

construction company. 3 per cent at 346.46. would post an extraordinary loss of Y210bn in the current financial year came after the cent for a two-day decline of market closed. The stock 25 per cent. Dhana Siam ended down 19 per cent at Finance, which announced

the OSE index closed up 136 KARACHI plunged 5 per cent to a 55-month low in with the composite index off response to an interim court 56.50 or 2.7 per cent at order slashing blue chip Hub 2.068.91.

The Nikkei 225 average

traded in a range between

15,582 and 15,309. In Osaka,

the court decision further depressed a market already bearish in the wake of the nuclear row between Pakistan and India.

Hub Power fell Rs3.20 to

Rs28.25 and Shell Pakistan Rs26.90 to Rs262. Analysts said the court ruling was the latest development in a row over alleged over-pricing and suspected corruption between Independent Power Producers and the government that has unnerved the stock market and soured the investment

move lower with the finance sector sliding steeply for the second day running. The News that Kajima, the SET index ended off 10.75 or Banks fell 4.9 per cent and the finance sector 13.2 per

BANGKOK continued to

issue, shed Btl.70 to Bt4.20. Bangkok Bank came off Bt4 to Bt66. MANILA remained a casualty of regional sentiment. falling to a three-month low

the postponement of a rights

well as an ambitious profits dropped 68.27 to 1,306.06 as lost 1.50 peaces to 59.50 peaces.

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The Governor and Company of the BANK OF SCOTLAND

Notice is hereby given that the Rate of Interest has been fixed at 6.00 p.c. and that the interest payable on the relevant Interest Payment Date, November 20, 1998 against coupon No. 26 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$306.67 and in respect of U.S.\$250,000 nominal of the Notes will be U.S.\$7,666.67.





May 20, 1998, London By Cillenth, N.A. (Corporate Agency & Truet), Agent Book

CITIBANCE

CITIBANCE